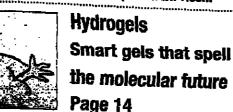
FINANCIAL TIMES

MONDAY APRIL 12 1999

Norld Business Newspaper http://www.FT.com





Body language Actions speak louder than words Page 12

White knight

may join

Telecom



Bank mergers New headache for The euro 100 days old but yet to dazzle Page 6

Mastering Information Management

Peter Drucker on the information that executives need - an extract from his forthcoming book leads part 11 of the FT's 12-part series on the I in IT



WORLD NEWS

Banks join forces to offer online trading guarantees

international banks are preparing to offer financial guarantees for companies trading over the internet, an initiative that should help encourage large-scale electronic commerce. Page 18; Visa con-cern over net fraud, Page 4

india missile test 'defensive' India's fragile coalition government test-fired a medium range belistic missile in what its prime minister described as "a purely defensive step". Page 18

tran sex charge man bailed Helmut Hofer, the 57-year-old German businessman imprisoned in Iran accused of sexual relations with a Moslem woman, was released on bail of DM300,000 (\$164,835), it concided with Germany's announcement that Iran's President Mohammad Khatami was to visit Germany.

Algeriz fears closed game Mahfouth Nahnah, head of Algerla's largest legal Islamist party, has fallen back into line to support Abdelaziz Bouteflika, former foreign minister, in Thursday's presidential election amid promses of government seats. Mr Nahnah was refused candidacy.

independent is Tokyo governor Tokyo voted unequivocally for change by selecting independent Shintaro ishihara as new governor by a clear margin. Page 4

Takeover rules on track Controversial plans to harmonise European takeover regulations could be agreed as early as June in spite of strong British objections, according to diplomats in Brussels. Officials hope that compromise amendments put forward by Germany will break the deadlock. Page 3

Schröder set to be SPD chief Gerhard Schröder, chan-cellor of Germany, will today receive a boost to his authority in his goveming Social Democratic party as delegates elect him as the new chairman. The vote follows the surprise resignation of Oskar Lafontaine, Page 3

Herders strr. extrevejou European pension fund managers are expanding faster than ever, largely as a result of a flurry of mergers and acquisitions, according to a report to be published today. Page 3

Tunnel may be shut for year The road tunnel under Mont Blanc linking France and Italy looks set to be closed for at least a year as a result of the fire in which 40 people died. Page 3

Pakistan in bonds piedge Pakistan will not try to buy back its sovereign international bonds, despite deadlock over how to restructure them. Page 4

linkkinen in Grand Prix victory Finland's Mika Halddnen won the Brazillan Grand Prix on Sunday. giving McLaren its first victory of the Formula One season. Germany's Michael Schumacher of Ferrari finished second.

BUSINESS NEWS

Japanese regulator declares Kokumin **Bank insolvent**

Kokumin Bank became Japan's first regional bank to be declared insolvent by the Financial Reconstruction Committee since financial reform legislation was passed. Its is seen as a sign that Japan's banking woes are far from over despite the injection of Y7,450bn (\$62bn) of public funds into 15 banks. Page 19

Goldman Sachs is expected to sign a memorandum of understanding today to become the biggest shareholder in South Korea's Kookmin Bank, paying \$500m for a nearly 20 per cent stake. The US bank will also name John Browne, chief execu tive of BP Amoco, and James Johnson, former head of US mortgage giant Fannie Mae, as its first outside directors when it goes public. Page 19

Strafor Facom, the French tool and car components group, faces a bitter struggle after rejecting a bid last week by Firmalac, the holding company controlled by Marc Ladreit de Lacaharrière. Page 22

Associates First Capital, one of the largest consumer lending and leasing companies in the US, is reorganising its international assets following its acquisition of the Avco consumer lending business from Textron. Page 24

Coca-Cola has pledged to ____ proceed with its planned FFr5bn (£762m, \$821m) acquisition of Orangina, the French maker of sparkling orange drinks owned by Pernod Ricard. Page 24

HJ Heinz is said to have had interest in its Weight Watchers International alimming classes business from more than 20 potential buyers. Page 19

Banque Nationale de Paris, which is bidding for rivals Société Générale and Paribas, is to complain to regulators about "unfair" behaviour by its targets. Page 22

Advent International and Apax Partners, the venture capital groups, are leading a \$72m. equity investment in Jazztel, a Spanish telecoms start-up concem. Page 20

Xoom.com, the US-based internet community site, is in takeover talks - a sign of the increasing pace of consolidation in the internet business. Page 23

Telefonica of Spain says it has got to grips with Sao Paulo's telephone system, seven months after taking over the state's snarled network. Page 24

Argentina's Central Bank is eking to put together a rescue package for Banco Mendoza, which has been hit by a series of runs on deposits. Page 22

World Equity Markets The latest trends and data from more then 50 national markets at a glance

fragress of the euro Sero vs leading correspons (rebased Jan 1 1999=100) 1.6772 130.5 0.6712 2 9292 7,4323 Danish grone 32L25 Greek drachma Steles tranc I a larger time last week sheet of Thursday's SCO meeting.

Euro-zone, Page 27

FINANCIAL TIMES LIMITED 1999 No.33,879

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Italia fight Bernabe looking for outside bidder to

thwart Olivetti's €60.4bn hostile bid Telecom Italia is considering inviting another company to rescue it from the unwanted €60.4bn hostile bid from Olivetti, its

The privatised telecommunications group is looking at possible rescuers after the collapse on Saturday of its initial defence plans in Europe's largest post-war takeover battle British Telecommunications. Deutsche Telekom, Telefonica of Spain and SBC, the Texas-based

telecoms group, are widely seen as potential "white knights". Telecom Italia failed to gather the necessary quorum of at least one third of its voting capital to hold the long-awaited shareholders' meeting in Turin to approve

smaller Italian rival.

Olivetti bid. Although the group said on Friday that holders of at least 33.5 per cent of its voting shares had registered for the meeting, only 22.3 per cent showed up.

the company's response to the

France Bernabe, chief executive and architect of the original plan, dismissed suggestions he might resign and said he would fight on. At an emergency meeting the

group's board instructed Mr Bernabe to study all options to maxto shareholders.

Telecom Italia will not go ahead at this stage with its original defence plan which included a plan to call another shareholders' meeting later this month to approve the 622.9bn acquisition does not hold in its Telecom Italia Mobile (TIM) cellular tele-

phone subsidiary.

However, Olivetti, which currently has a market capitalisation of about €8.4bn, could itself face the possibility of a counter-

A bid would restrict Olivetti's room for manoeuvre just as Tele- Lex, Page 18

com Italia has been restricted in the past weeks under the interpretation of new Italian takeover rules by Consob, the stock

exchange regulator. A white knight strategy, on the other hand, could fall foul of the Italian government which holds a golden share that would allow it to block a foreign takeover of the privatised company.

It might feel impelled to block a foreign takeover of what the government considers Italy's national champion.

But the eventual entry into the fray of by a large European telecommunications group

risks leading to a confrontation between Italy and the European Commission, should the government decide to resort to its golden share. Telecom Italia criticised the

government, the Bank of Italy and Consob on Saturday for what it felt was a stance favourable to Olivetti. The government, with a 3.4 ner

cent stake, and the central bank,

with a 2.3 per cent holding, failed to attend the meeting on the grounds that they wanted to maintain a neutral position in the takeover battle. Guido Rossi, a former chairman of both Consob and Telecom Italia and one of the group's

allowing Olivetti to proceed with its bid even though it had vet to approve its formal offer prospec But Italian small investors and funds also failed to show up at of the 40 per cent of shares it Saturday's meeting, as did UK and US funds, which hold about

stock exchange watchdog for

They were believed to oppose Telecom Italia's plans to convert its non-voting savings shares into common voting stock which would have diluted their stakes.

37 per cent of Telecom Italia



Nato to stress resolve over air strikes on Yugoslavia

By Alexander Nicoll in London and Stephen Fidler in Washington

Nato allies will today underline their determination to continue the campaign of air strikes against Yugoslavia, but will reiterate their opposition to launching a ground invasion.

Foreign ministers of the 19 alliance members are meeting in force after hostilities are over, for mon purpose to destroy the milievic, the Yugoslav president. "There is no intention to change the goals or the strategy," a British official said.

The US administration is facing growing calls to deploy ground troops to end the plight of up to half a million ethnic Albanians believed to be living in desperate conditions in the hills of Kosovo to escape Serbian forces.

Strobe Talbott, deputy US secretary of state, said plans for a ground force drawn up last year could be "taken down off the shelf and updated at any time the commander in chief (President Bill Clinton] decides that's neces-

air campaign which is going to continue and intensify and we think is sufficient to achieve those objectives," Mr Talbott said on the CBS television programme Face the Nation:

Nato's present plan is to send

Brussels to review the 19-day-old which 12,000 troops have been operation and reaffirm their com- assembled in Macedonia. to secure the return of 1.5m Koso-Robin Cook. UK foreign secre-

tary, said it would take two to three months to assemble a force sufficient for a hostile move into Those advocating ground

forces were talking glibly and should be honest about the likely casualties, he said. campaign was underlined by a weekend decision to send 82 more

four A-10 tankbusters. six EA-6B Prowlers and 48 tankers and transport aircrast. Britain is sending the aircraft carrier Invincible to the Ionian Sea with seven

sary.... For the time being, we Sea Harrier fighters and 10 helihave a set of objectives ... and an copters. Twenty-four US Apache helicopters began arriving in Albania with support troops over the weekend and William Cohen. US defence secretary, said: There might be more in the future."

The new deployments bring the in a 30,000-strong peacekeeping number of aircraft assigned to the campaign to about 700, of which 480 are American.

Nato said its campaign had been again hampered by poor of orthodox Easter, it sent up seven "packages" of aircraft but cancelled a further three because of the weather.

Nato officials showed an aeria! photograph of a site in Rosovo with earth turned over in a manner similar to mass graves found in the past in Bosnia, although The intention to step up the air they said confirmation would have to await closer inspection.

In Belgrade yesterday, promi-US warplanes: 24 F-16 fighters, nent Serb opposition journalist Slavko Curuviia was shot dead. colleagues said.

> Kosovo Crisis, Page 2 Defence stocks, Lex, Page 18

Compaq's profits warning set to hit high-tech stocks

US markets are braced for a fall in high-technology stocks when trading resumes today following the bruising profits warning issued late on Friday by Compaq, the world's largest personal comnuter maker. Compaq delivered its warning

that first-quarter earnings would be 15 cents per share - less than half the 31 cents expected by Wall Street - just after the close of normal trading on Friday. Compaq, blaming lower than anticipated demand and

increased competitive pricing in the personal computer sector. said it expected to report revenues for the quarter of \$9.4bm. In after-hours dealing its shares fell by 16 per cent to \$26, and other prominent technology stocks including Dell, Intel and Microsoft were caught up in the shift in investor sentiment. Analysts predicted that the Nasdaq index, which is domi-

would be knocked off the record high it reached on Friday. The Dow Jones Industrial include international Business Machines and Hewlett-Packard, is also likely to be affected in the

short term, they said.

nated by technology companies.

how much longer-term damage Compaq's warning would do to broader investor sentiment in the US and internationally.

PC sales have been largely responsible for the rise in technology stocks, which has in turn supported the record-breaking performance of the three big US stock market indices. Ashok Kumar, technology analyst at Piper Jaffray, said: "In the

short term, there is a lot of concern and a lot of scepticism. You will see some trading down in sympathy, but I think sanity will prevail when Intel reports. Intel, the world's largest semiconductor manufacturer, is expected to report tomorrow that

its first-quarter earnings rose from 81 cents a share to \$1.10. The group is seen as a better bellwether than Compaq, where "a lot of the problems are company-specific", Mr Kumar said. James Cramer, a hedge fund

manager and co-owner of The-Street.com, the online newssheet, said: "These problems are neculiar to that subset of tech which is personal computers. They do not extend to the web. or to networking, or to bandwidth, Average, whose components the prevailing themes that were working in the market."

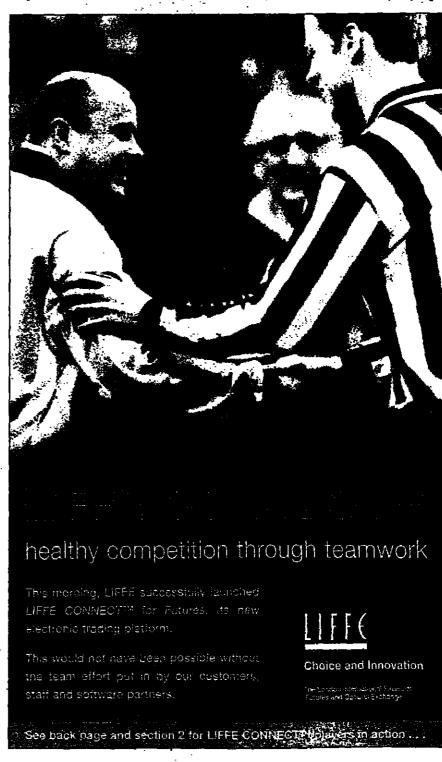
Lex, Page 18 Warning rattles PC sector, Page 21 But they were divided about Companies Diary, Page 25

CONTENTS

World News: International 2-6

Comment & Analysis: 16,17 Companies & Finance: 19-24

Management/Technology: 12-14 | Markets: 28-35 Full contents and Lex back page



Milosevic critic murdered in Belgrade

By Guy Dimmore in Belgrade and Stefan Wagstyl in Tirana

-One of Serbia's most outspoken critics of Yugoslav President Slobodan Milosevic was shot dead yesterday by unidentified gunmen as he entered his Belgrade apartment.

Reporters at the scene Slavko Curuvija, a newspaper proprietor, was shot repeatedly in the back of the head by at least two men. His partner. Branka Prpa, was also hit and later alerted

By Judy Dempsey in Jerusalem

When Jacob Weinstein talks

about Nato's bombing cam-

childhood in a concentration

"We should not be bomb-

who settled in Israel after

1948. "They saved the Jews

foreign minister, refrained

moved their operations outside Serbia last year after should do it. incurring heavy fines by Belgrade courts for articles attacking the government.

sentence for slandering Milovan Bojic, Serbian deputy prime minister, in an article about the murder of a doctor in a Belgrade clinic run by Mr Bojic. Mr Curuvija was

Instead, they recalled Serb-

with the Nazis, showing

As Nato's campaign con-

Israel's stance has evolved

into a policy that has miffed

the US, pleased the Rus-

For some, like Mr Wein-

New ideas con c

THE INFORMATION AGE STARTS HERE"

little mercy to Jews.

Nato action

paign in Serbia, he closes his and disregarding how the

eyes as if recalling the days Chetniks, a nationalist

of the second world war, minority initially supported

when he spent much of his by the Allies, collaborated

ing the Serbs," said Mr tinues and the refugee crisis Weinstein, a Polish-born Jew shows no sign of abating,

When Nato started its sians, and increasingly

bombing campaign nearly angered an Israeli public

three weeks ago, Benjamin shocked by the scale of the

Netanyahu, Israeli prime refugee crisis and its govern-

Milosevic, president of Yugo- reminder of the Holocaust.

slavia, or supporting the For others, it reminds them

minister, and Ariel Sharon, ment's ambiguous stance.

daily newspaper, and the and called on the Yugoslav European, a fortnightly mag- parliament to remove the azine. Both publications government. Failing that, he said, the Serbian people

The murder of Mr Curuvija sent shockwaves through the Serbian opposi-Last month Mr Curuvija tion and independent jourquoted witnesses as saying was given a five-month jail nalists who have already decided to keep silent, either out of a sense of patriotism or pure fear, following Nato's air campaign against

ia's wartime record towards during the Arab-Israeli war his advisers privately agreed

will eventually lead to a

greater Albania. In com-

for extremist Islamic terror

that will spread in Europe".

my foreign minister," said

no idea what Sharon or

Netanyahu are trying to

Mr Netanyahu's office said

achieve. Their attitudes

We are disgusted."

an Israeli diplomat. "I have

"It's really hard to defend

statehood.

sion yesterday saying he had been gathering intelligence on Nato's bombing campaign and apoloigising for harming

terday shelled Albanian vilits third day.

whom walked into a minefield on the border, according to the Organisation for captured Koshare and Batushe, two villages inside Security and Co-operation in Europe, which monitors the frontier from the Albanian side. Four KLA men were

exploding mines. Serbs fired 120mm mortar shells at hamlets just inside area several times before. On the Albanian border and at the Albanian side, the area

Albanian civilians were killed in the attack on Tropoje according to the OSCE. The KLA claimed to have

Tanjug, the Yugoslav news agency, reported that a terrorist attack from Albania

had been repelled. Serb forces and the KLA have exchanged fire in the

crossed by KLA units moving in and out of Kosovo.

International increased about the fate of ethnic Albanians in Kosovo, especially tens of thousands of people who had been uing at the Albanian and Macedonian borders before they were herded away by Serb forces late last week. llaz Ramajli, the unofficial Kosovo government's representative in Tirana, said yesterday: "We are very frightened about what might have

Congress target for political offeroffensive

The Clinton administration yesterday began a domestic political offensive with the aim of convincing a returning Congress that Nato's air campaign in Kosovo will succeed if given time. But it said plans drawn up by Nato about committing ground troops could be quickly updated if that proved neces-

As lawmakers return today after a recess, an intense debate is expected over whether the US should begin planning to send in troops. One group of lawmakers has been accompanying William Cohen, US defence secretary, on a tour of Europe and another will be returning after consulting constituents.

Some of those who accompanied Mr Cohen argued strongly at the weekend that plans needed to be drawn up to commit ground troops. John McCain, the Republican senator from Arizona who is running for the presidency, said he would like to see bipartisan resolutions in the Senate and House "that authorises the president to use all means necessary" including ground troops - to

prevail in the conflict. The other eight legislators, Democrats and Republicans, who accompanied Mr Cohen also pressed the president to start drawing up plans for a ground war. Joseph Liebermann, Democratic senator from Connecticut, said planning for a ground war was needed "first, because we may have to use that option, and secondly, we want Milosevic to know that we're not going to stop with the air war if that doesn't work". But John Podesta, White House chief of staff, told

guarantees about Kosovo's NBC's Meet the Press pro-long-term status as a part of gramme: "The president does not have the intention to use ground troops. We believe the air campaign can and will work."

However, he said Nato made an assessment in the autumn of sending in troops in a hostile environment "and those plans and assessments could be updated quickly if we decide to do

This message among Serbs if Mr Milosevic deputy secretary of state, called an end to the war said: "Last year, even, there shelf. They can be taken down off the shelf and updated at any time that the commander-in-chief [Presi-

necessary." he told CBS tele-"You must understand

His 20-year-old son, Dragan, spent much of last year trying to find a way out of his compulsory military serovo province worsened by have an inkling that Serbia the week. Now he is ready to

the Kosovo Albanians as such and indeed they share their neighbour's cellar with an Albanian family that lives in the same street. But for them, Kosovo, with its Orthodox monasteries and churches, is the religious soul and historical heartland of the Serbian nation, and the peace deal that the western powers is trying to force Poor, without regular upon Mr Milosevic was just

> Hopes soared when Mr Milosevic last week announced a unilateral ceasefire in operations against the KLA rebels and reports that Serbia would release three captured American servicemen in a gesture of goodwill for Orthodox Easter. But Nato's instant rejection of Belgrade's overtures hardened attitudes. especially after more than 20

"All men here are praying have been there to disarm for Nato to come on the ground so we can fight and inflict great losses on them," said Mrs Stevanovic.

"It will be worse than Viet-

Serbs feel hatred and

Despite being determined to fight, many are starting at least to consider solutions

family for two generations. The daily rhythm of life in their village of Batajnica, on the edge of Belgrade

"I don't have another house and I won't leave this one until the last day," said Predrag Stevanovic, offering the usual Balkan fare of black coffee and digarettes to his guests.

When the bombs first fell, for them. There is the reaction of the Stevanovic family was one of defi- a big anger now, ance and outrage. They rushed outside to take pictures of cruise missiles streaking like fireballs across the night sky and then on to the airbase to

"In three days the Russians will be here to help us," Mr Stevanovic predicted confidently at the time, encouraged by expressions of Slav solidarity given prominence on state media. Foreign troops would never be allowed to enter Kosovo. he said, and besides. Serbia was winning the war, shooting down one Nato aircraft

ulate. Better a grave than a selves. Tell the world we will slave," goes a Serb proverb. fight anyone," said Mr Steva-Two weeks later, the Stethe precision bombing by be happy if he went to fight Nato (in Belgrade at least), in Kosovo." are still alive, as generous as ever to foreign guests and just as determined to tough it out. But they are also more street-wise in their vice as the war against ethanalysis of what state media nic Albanian rebels in Kosare telling them and now

The Stevanovic family shares the sense of bewilderment of most Serbs at being bombed by the countries that Serbia fought alongside in two world wars, at huge

losses to the nation. Mrs Stevanovic recalls that her father helped shelter American pilots downed by German occupation

strangle one of them. work and unable even to pay

mation other than that provided by state media. They have no understanding of the brutality of the war in Kosovo and the atroc-

vision when it tells them the ethnic Albanians have flooded across Kosovo's borders to escape Nato bombing

They refuse to believe that the Nato peacekeepers the west wanted to deploy would the rebel Kosovo Liberation

admits she does not believe the official claims of numer- nam for them. ous Nato jets shot down.

tage with well and main source of information pig-sty has been a happy now is a network of family home for the Stevanovic and friends across Serbia who telephone daily. They long for a return to

normal life. If the west guaranteed that Kosovo would remain part of Yugoslavia then perhaps a few thousand international peacekeepers ger dictated by the sun but would be acceptable, she says, but not the 30,000 Nato troops as originally pro-

Such views may be gaining ground. Long-time watchers of Yugoslav President Slobodan Milosevic say Serbia's strongman could still survive in power and yield to much of Nato's demands if given sufficient long-term status as a part of

'It will be worse than Vietnam

a lot of hatred'

federal Yugoslavia.

"The immediate reaction would be one of relief that the war was over." said one veteran Serb journalist.

The Stevanovic family has never voted for Mr Milosevic, preferring monarchists to ex-communists, but like many Serbs they say this is the time for the country to unite in the face of foreign

aggression "Better to fight than capit- that we have to defend ournovic. "The greatest joy for a vanovic family, thanks to Serb is to have a son, but I'd

His mother, Sanja, stresses they have nothing against one step away from indepen-

civilians were reported killed by Nato missiles within two

that, need to do that". reinforced by other senior officials. Strobe Talbott, US were careful assessments done of a whole range of options. Those are on the

dent Clinton] decides that's

vision's Face the Nation. "But for the time being we have a set of objectives...and an air campaign which is going to continue and intensify and we think is sufficient to achieve those objectives." The administration also fielded General Wesley Clark, the Nato supreme commander, for yesterday morning's political talk shows. Asked about ground troops, Gen Clark told NBC: "At this point I think the air campaign has a long way to go. I think it's showing that it can be effective and that it's becoming increasingly effective and more intense. I think we need to give the air campaign a chance to do its work, and I wouldn't want to speculate on anything beyond that."

FINANCIAL TIMES
Published by The Financial Times (Europe)
GrubH. Nibelungenplatz 3, 60318 Frankflut am Main, Germany, Telephone ++49
9 156 850, Fax ++49 67 996 488. Represented in Frankfurt by Colin A. Kemaard
as Geschäftsführer and in London by
David C.M. Bell. Chairman, and Alan C.
Miller. Deputy Chairman. The shareholder
of the Financial Times (Europe) GrubH is
Pearson Overseas Holdings Limited 3 Burlington Gardens. London, W1X ILE.
Shareholder of this Company is Pearson
ph. registered at the same address.

A. Kennard, Printer: Hurriyet International Verlaggesellschaff mbH. Admiral-Rosen-dahl- Strasse Ja. 67263 Neu Isenborg ISSN 0174-7363. Responsible Editor: Richard Lambert. Co Ybe Financial Traces Limited. Number One Southwark Bridge. London SFI 0407.

SWEDEN:

Yugoslavia.

In a separate development.

ovo Liberation Army entered

detained while trying to Friday when Serb soldiers spokesman in Albania. Two leave Yugoslavia on March apparently encircled a group 31, appeared on state televi- of KLA fighters, some of reported killed and four

fighting between the Serbs and guerrillas from the Kos-

Mr Curuvija was the his last press conference he aid worker, who had not owner of Dnevni Telegraf, a described the regime as sick been seen since he was the two countries, started on Andrea Angeli, the OSCE tion of border is frequently daily newspaper, and the

lages on the mountainous Kosovo-Albanian border, as

Yugoslavia. Meanwhile Serb forces yes-

injured, either by gunfire or

The incident, which is

the village of Tropoje 7km Israel torn over stance on bombings

> Mr Sharon believes that if Albanians," said an official. the Kosovo Albanians achieve independence, this with Mr Sharon. When Madeleine Albright. US secretary of state, met Mr Shaments to Israeli Radio last ron in Washington at the week, he raised the spectre weekend, she spoke her of an Islamic Albania. He mind, "Israel has been less said it could become "a focus than supportive of Nato's policy," said a US official. Yet when we bombed Iraq, the Israeli government could

not get enough of it." In Russia, however, Mr Sharon's remarks have been welcomed by the foreign ministry, which "registered from criticising Slobodan stein, the refugee crisis is a almost verge on paranoia. satisfaction". Such praise comes on the eve of Mr Sharon's visit to Moscow today. day consider autonomy.

novation.

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risk as we help them become more productive.

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of the tens of thousands of Mr Sharon's remarks "were his second call in a month, Palestinians forced to flee his own private opinion", yet which is aimed at boosting economic ties, discussing the Jews, praising its role in 1948 which led to Israel's with the foreign minister. Russia's transfer of technol-"Iran is backing the Kosovo ogy to Iran and Russia's renewed policy of selling US officials are furious arms to Syria. But underlying the visit, according to Israeli diplomats, is shared misgivings about what Nato is doing in Serbia, which

both countries believe could serve as a precedent. Russia for example, fears Nato could come to the defence of one of its breakaway republics. Israeli officials fear the Nato precedent of "interference in a sovereign state", and its support of Moslems, could boost the confidence of Palestinians and even Israel's Palestinian population, who might one

bewilderment

to end the war, writes Guy Dinmore he simple three-room, back them up, except for one wood and brick cot- F-117 stealth fighter. Her

between an Orthodox church and the fertile shores of the Danube, is, however, no lonby the wail of air raid sirens. For Batainica lies next to

Serbia's main military airport and the near nightly raids send residents down into their cellars until the all-clear that allows them to emerge again. The heavy detonations have shattered their windows and killed their pig. But they refuse to

after another.

risks losing Kosovo for ever. go at a moment's notice.

Now she says she would

their electricity bills, they have no access to any infor-

ities committed by both They believe Serbian tele-

Stevanovic now

SWEDEN:
Responsible Publisher: Bradley P Johnson.
Telephone +46 & 791 1345. Printer: AB
Kvilkstdningen Expressen. PO Box 6007.
5-590 06. Jönköping.
C The Financial Times Limited 1999.
Editor: Richard Lambert, olo The Financial
Times Limited, Number One Southwark
Bridge, London SEI 9HL

"There is a big anger now, without any evidence to a lot of haired."

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HARMONISATION PROPOSAL AMENDMENT COULD BREAK DEADLOCK ON LEGISLATION Takeover rules on track

for agreement in June

Controversial plans to harmonise European takeover regulations could be agreed as early as June in spite of strong British objections, according to diplomats in Brussels.

Officials hope that compromise amendments to the European Union's takeover directive put forward by the German government will break the deadlock on the legislation, stalled for more than 10 years.

The rewritten draft includes a new clause designed to appease UK concerns that the law would threaten Britain's non-statutory system for regulating

Well over half of all take. overs in the EU take place in the UK, and many internathe City. London's financial

district. But Britain had argued that although the directive was modelled on the City Code on Takeovers and Mergers and would not require the UK to change its system, incorporating it into British legislation would result in nuisance litigation designed to frustrate or kill

However, the German compromise includes a clause which states that the directive "does not affect the power of member states to regulate whether and under Which circumstances parties to the bid are entitled to bring administrative or judicial proceedings.

off bids.

"In particular, this directive does not affect the power which courts may have in a member state to decline to hear legal proceedings and to decide whether tional merger and acquisi- or not such proceedings tion specialists are based in affect the outcome of the

PENSION FUND MANAGERS INDUSTRY SEES SPIRALLING GROWTH

in return, the UK would takeovers.

This would give member states where takeover targets were listed, but not registered, the right to super-

City of London representatives are worried that the proposed changes will be unworkable.

However, the UK may have to go along with the compromise, as the legisla- pay. tion requires only the support of a qualified majority of EU member states in order to become law.

The law already has the support of enough member states but Germany, which holds the EU's rotating presidency, did not want the UK to vote against it, in recognition of the number of bids and deals which take place

have to accept a system of diction would be messy, parsplit jurisdiction for certain ticularly as the legislation does not specify which regulator would call the final shot in a disputed pro-

vise certain aspects of the .nies that are incorporated in one country, but not listed in that country, are extremely rare, according to City experts.

However, bids for compa-

EU officials argue that ioint jurisdiction is thus a small price for the UK to

to be presented to internal market ministers at their meeting in June. Germany will push hard for an agreement at this

meeting. The European Commission has not so far endorsed the German compromise, as some other member states are unhappy about the



Mergers spur expansion

By Jane Martinson. investment Correspondent

European pension fund managers are expanding faster than ever, largely as a result of a flurry of mergers

and acquisitions, according to a report to be published About a quarter - 23 per cent - of the 173 fund managers analysed in the study by William Mercer, the prising. employee benefits consul-

tancy, were involved in big organisations had got," mergers or acquisitions in she said. the year to June 1998.

Si00bn in assets increase from 22 to 35 in the year. Mercer has estimated that

managers now control funds as large as the gross domestic product of the UK and France combined.

The top 35 manage \$8,200bn, rivalling the GDP of the US. Julia Hobart, head of Mer-

cer's manager advisory services and editor of its annual European pension fund guide, said the speed of the industry's growth was sur-

"I was amazed at just how

Much of the growth comes This activity, combined from companies expanding with rising markets and new out of their home areas. business in a fast-growing. More than two-thirds of the industry, helped the number 39 mergers in the year were of managers with more than cross-border, reflecting the trend for fund managers to operate globally.

The average number of the world's top five asset offices per company also increase, with some 22 per

rose from 2.4 to 2.7, with a cent of pension fund assets in five or more countries.

The number of investment professionals employed had also jumped 57 per cent in the year, mainly from the growth of foreign offices. In 1997 staff numbers rose 20

> The greatest consolidation was not among the world's top five managers - Fidelity. Barclays Global Investors. State Street, Capital and CDC - but among the next level of companies.

The study of managers in 23 countries with assets of \$1.300bp also shows that index-tracking management (buying and selling shares according to their weighting in various stock marekt indices) has increased in Europe. The L'K saw the steepest

that European pension funds are investing more in equities, with the sole exception of the UK, which has had a much higher weighting in shares historically. The greatest shift has come from Spain and Portugal, where the amount of shares bought in other European companies has risen by 3.2 percentage points to 7.2 per cent and 6.2 per cent respectively. European Pension Fund

Managers Guide, William

fifth of companies operating now managed on this passive basis compared with 16 per cent a year before. In continental Europe, index tracking rose 28 per cent from a fairly low base. On average less than 4 per cent is indexed in most continental European markets. The research also shows

53 hours to control.

gallery 11.6km Mont Blanc tunnel, opened in 1965, was handling 12.7m tons of the 25m tons of goods carried through the Alps by road



Mont Blanc tunnel may be shut for year

The vital road tunnel under Mont Blanc linking France and Italy looks set to be closed for at least a year as a result of the disastrous fire last month in which 40

The extended closure of the principal transalpine road route between France and Italy is expected to have much more serious repercussions on the haulage business than first thought. In the immediate aftermath of the March 24 fire, road hauliers believed normal traffic would be resumed within a

month. The French ministry of transport in recent days has begun to admit the shutdown will be for "a long period". Officials in private say the closure could well last more than 12 months as they prepare to receive today a preliminary report on the cause of the fire, which took

Before the fire the single-Mercer, tel: 44- 171 963 3165 between France and Italy. handled by the more modern transport federation.

Fréius tunnel. using the Fréjus tunnel. As a trucks and light vehicles through this route has doubled. Although the 12.8km Fréjus tunnel has the capacity to absorb this extra traffic on a temporary basis, the ministry of transport is about to introduce safety measures which will reduce

the flow. After a visit last Thursday to the Freius tunnel. Jean-Claude Gayssot, French transport minister, said be would introduce a tariff system to penalise peak period use. Officials say this will mean higher tariffs on the "heavy use" days of Wednesday and Thursday and incentives to switch to off-peak times. The ministry has also pledged to impose traffic flow restrictions by reducing the current speed limit to 70kmh from 80kmh and raising the required distance between all vehicles to 100m.

trucks will be able to go

The remainder was being FNTR, the French road

While accepting the need The bulk of the Mont for heightened tunnel secu-Blanc freight traffic is now rity, the FNTR is concerned these restrictions will create result the daily flow of huge queues of lorries waiting to enter the tunnel and further increase the time of journeys. Already hauliers switching from Mont Blanc to Frejus claim each journey has been increased by an average of 90 minutes.

This week the FNTR will begin lobbying to have the military strikes. Although hourly flow of trucks from Mr Schröder should be France to Italy via Frejus | elected to the chairmanship raised to 200, accompanied by measures to ensure the waiting time to enter the tunnel is kept to a minimum. The FNTR also plans to press the government to raise with the Swiss authorities their current limit on the country to 28 tons French road hauliers claim this restriction means at least 460,000 lorries are

diverted via France. unlikely to unveil a full set This will mean only 140 of policies until the safety implications of the report each hour, according to the have been fully studied.

Schröder set to be SPD chairman

By Halg Simonlan in Berlin

Gerhard Schröder, chancellor of Germany, will today receive a boost to his authority in his governing Social Democratic party as delegates elect him as the new

chairman. The vote follows the surprise resignation last month of Oskar Lafontaine. The departure of Mr Lafontaine, maverick leftwinger who had unsuccessfully challenged Mr Schröder to become the SPD candidate for the chancellorship before has strengthened Mr Schröder's position in both the

party and government.

It will be only the second time in the SPD's postwar history that one individual has combined the jobs of chancellor and party chairman. Some observers believe Mr. Schröder will use his new position to streamline the SPD's decision-making apparatus and concentrate power in the chancellery.

However, Mr Schröder's likely triumph at a special party congress in Bonn could be marred by sharp differences over the government's policy on Yugoslavia. Leftwingers and pacifists among the 500 delegates have demanded a debate on the Kosovo crisis and Germany's participation in Nato

with a comfortable majority,

the Kosovo debate could

expose deep divisions. SPD leaders were last night putting the finishing touches on a resolution for today's debate. The motion is expected to support Mr Schroder's coalition of Social Democrats and environmentalist Greens, which has offered Nato German military help. However, attempts by the party leadership to The government is present a common front have not stifled opposition from prominent leftwingers. Many have demanded a stop through from France to Italy into the Mont Blanc fire to Nato bombing and return to the negotiating table.



A man who's been doing the impossible for half a century.

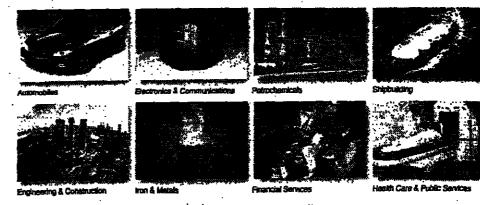


century, Chung found a way where others said it couldn't be done.

lmagine crossing a border that's been closed for 48 years. Then imagine doing it with 1,001 head of cartle.

Achieving the "impossible" is nothing new for Chung Ju-yung, the 83-year-young Founder and Honorary Chairman of Korea's Hyundai Business Group This is the same man who literally brought the sea to its knees, reclaiming land on Korea's west coast with a large tanker destined for scrap. And the one who ingeniously used a small fleet of barges to transport prefabricated components nearly halfway around the world 19 times to build Juball Harbor in Saudi Arabia. one of the construction wonders of the 20th century. In these and countless other projects over the past half-

As Hyundai looks toward the future, we share Chung's spirit- an unwavering drive and ambition that has made us what we are today. And what will propel us into the ranks of the world's industrial leaders in the new millennium



HYUNDAI

Independent chosen as Tokyo governor

The citizens of Tokyo strong leadership among the Yesterday voted unequivo- citizens of Japan's troubled cally for change by selecting capital. Shintaro Ishihara as their new governor.

that attracted the highest palgn call. The man who covoter turnout in more than two decades. Mr Ishihara, standing as an independent, Can Say No. also promises won by a clear margin over to say "no" to the central his competitors, who were government on a wide range supported by leading politi- of issues. cal parties.

"To change Japan, let's start by changing Tokyo," hi a hotly contested battle has been Mr Ishihara's camauthored the controversial best-seller. The Japan That

Faced with a ballooning The outcome of the Tokyo deficit, looming deflation election reflects a weariness and serious social and envi-

nor for his perceived ability to act on his promises rather than for the exact contents of his proposed reforms, analysts said.

views and dislike of the US-Japan security treats, Mr Ishibara is expected to be an irritating presence for Japan's ruling Liberal Democratic party, whose candidate, Yasushi Akashi, lared poorly in the race. Although he is a former

the environment agency, Mr Ishihara's victory will continue to embarrass and trouble the LDP.

His victory owes much to A controversial figure his widespread popularity known for his nationalistic among the LDP's own parliamentarians and party faithhim over Mr Akashi. Although Hiromu Nonaka,

By Michigo Makamoto in Tokyo with ineffective politicians ronmental problems, Tokyo member of the LDP, transsecretariat, yesterday's they have to shoulder port minister and head of defeat follows a humiliating housing US soldiers. experience in last year's Upper House elections that saw the ruling party devastated in urban areas.

> Yokota base, occupied by the cause friction with the US. fuls, who chose to support US military. The issue is bound to pose a headache for the Japanese government, national policy is restricted chief cabinet secretary, has already under pressure over been careful to point out the troubled plan to relocate that the result of the Tokyo US military bases in Oki- limit Mr Ishihara's ability to election would have no nawa, where islanders are carry out some of his more direct impact on the LDP upset about the large burden

If Mr Ishihara continues to raise questions about the validity of the hilateral security alliance, he could not At the top of Mr Ishihara's only undermine attempts to list of campaign pledges is win public support for the his call for the return of new legislation but also

over affairs that could affect and the need to win over the national government will

NEWS DIGEST

CHINESE CENTRAL BANK

Rural credit agencies told to lend more to farmers

China's central bank governor has told rural credit co-operatives to increase lending to farmers, part of the government's efforts to reflate the economy by reviving demand among the 900m people living in the countryside.

Rural credit agencies should boost lending to grain and cotton producers, but should also make loans available to farmers to let them build houses and buy consumer products, the official People's Daily quoted Dai Xianglong, cen-

tral bank governor, as saying.
The People's Bank of China, the central bank, has recently extended Rmb15bn (\$1.8bn) in loans to rural credit agencies to help them increase lending to farmers

finding it difficult to obtain credit. The efforts to loosen rural credit are designed to raise consumer demand in the countryside, which has slackened as falling farm prices have seen rural income growth slow sharply over the past three years. The co-operatives should "deepen restructuring and improve financial services" to promote operations and help boost farmers' incomes, Mr Dai was quoted as saying. James Harding, Shanghai

DELAY OVER FINANCIAL AID

Zimbabwe 'to cut ties' with IMF

Zimbabwe's ruling Zanu-PF party says the government will "cut ties" with the International Monetary Fund and World Bank over delayed financial aid, the state-owned Sunday

Mall reported yesterday.

The newspaper said Nathan Shamuyarira, industry and commerce minister and the ruling Zanu-PF party's information and publicity secretary, had said the government would seek other ways to fund programmes. The report did not elaborate.

The IMF has withheld \$53m in balance-of-payments support to Zimbabwe since last August, demanding transparency in government policies. The fund says it is mainly worried about threats to seize white-owned farmland for redistribution to black peasants, paying only for infrastructure improvements and not for the land. Other donors have indicated they would take their due from the IMF on whether to release additional financial support, seen as

crucial to reviving Zimbabwe's economy. Barclays Bank Zimbabwa said in a newsletter last month that economic recovery in the southern African country depended on securing long-term assistance from the IMF.

US AIR TRAFFIC CONTROL

System Y2K compliant - FAA

The Federal Aviation Administration yesterday said the US air traffic control system has passed an important public test to see if it can cope with the Year 2000 computer

The clocks on back-up computers in several air traffic control facilities in Colorado were advanced to just before midnight on December 31 to check whether radar, navigation and communications systems would work normally. FAA and airline industry officials taking part in the test said the computers rolled over to 2000 with no obvious errors. "The FAA test should reassure the public that the air traffic control system will be ready for the next century," said Association, which represents airlines carrying more than 90 per cent of US air traffic. Reuters, Denver

APOLOGY FOR GENOCIDE ATTACKS

Rwanda PM seeks forgiveness

Pierre-Celestin Rwigerna, Rwanda's prime minister, has asked for forgiveness for his party's role in the 1994 geno-cide in which about 800,000 people died, Rwandan radio sald yesterday. Rwigema's Republican Democratic Movement (MDR) is mainly supported by the country's Hutu majority, which launched the attacks on minority Tutsis. In a statement on behalf of his party, he asked for "forgiveness from all Rwandans for the divisive ideology of some MDR leaders who transformed themselves into

MDR-Power and led the 1994 genocide and massacres.

"The MDR reaffirmed that the Ideology of genocide had been the opposite of the MDR's principles of democracy and republicanism," the statement said.

The party said the ethnic divisions in the country that led to the genocide originated from the ethnic segregation that had been taught in schools and "propagated in the administration by colonialists and religious organisations". The MDR statement came during a week in which the country recalled the events of 1994 which followed the death of its Hutu president, Juvenal Habvarimana, in a plane crash. Reuters, Kigali

UK-CUBA TALKS

Havana tries to reschedule debt

Cuba has presented a proposal to Britain for the rescheduling of £17m (\$27.4m) of short-term debt owed by Havana to the British government's export credits guarantee department (ECGD).

The Cuban proposal was handed over by Francisco Soberón, central bank president, during a meeting in Havana with Brian Wilson, British trade minister, who ended a three-day working visit to Cuba at the weekend. If the two sides reach agreement on reacheduling, this will open the way for the resumption of ECGD medium-

term cover for British exports to Cuba, withdrawn in 1983. "I think there is now a very strong dialogue that will yield results," Mr Wilson told reporters, adding that resumption of ECGD cover could be expected to boost British exports to Cuba. Cuban banking negotiators are due to travel to London on April 23 for talks with ECGD officials. Cuba's total debt arrears to the ECGD, including short-term, are £120m. Pascal Fletcher, Havana

б'n

PUSH FOR PLEBISCITE ON STATUS

Taiwanese on hunger strike

More than 100 pro-independence politicians and activists launched a hunger strike at the weekend to push for legislation that would allow Talwan's future status to be decided through a plebiscite.

Organisers waved aside calls for discussions on a proposed piebiscite law, saying about 20 of the hunger strikers would refuse food until agreement was reached on legislation enabling Talwanese to vote for formal independence from China.

Beijing has vowed to use force to oppose any such dec-laration of independence and Tsiwan's ruling Nationalist party seeks to limit any plebiscite law to issues that do not touch on the island's identity.

While the hunger strikers represent a strand of public opinion in favour of formalising Taiwan's autonomy, a plebiscite would be unlikely to lead to a vote for separation. Opinion polls suggest most voters prefer the current policy of officially pursuing reunification but retaining de facto independence for the foreseeable future. Mure Dickie, Taipei

Fears grow of closed game in Algerian poll

Mahfouth Nahnah, head of Algeria's largest legal Bouteflika had more to offer Islamist party, suffered a than other candidates since painful humiliation a few weeks ago. The constitu-tional council denied him "We want to play an active the right to run for president in Thursday's election on the grounds that he had not taken part in Algeria's war

of liberation. The Movement for a Peaceful Society, Mr Nahnah's party, denounced the decision at the time. He called it a punishment for his party's reluctance to back Abdelaziz Bouteflika, the former foreign minister seen as the army's candidate, and said it was an attempt to manipu- Algiers predicted that, if the late the election by eliminat-

But Mr Nahnah has now end of last week, he put his ical legitimacy for promises backed by the pro-govern- is typical of a political leader

the election.

Party officials said Mr he was more likely to

role on the political scene and the other candidates want to set up political parties after the election." said Slimane Chenine, an MSP

Mr Chenine insisted the support of the MSP, which is part of the current government coalition, gave Mr Boutellika a ticket to sail candidate was not followed party's backing behind Mr by many of its supporters. Mr Bouteflika is already

government seats after ment leaderships of three parties. But in each case, the base of these parties, not consulted on the backing, is expected to split its votes among various candidates. In all, seven political figures

are contesting the election. For those who had come to Mr Nahnah's rescue and backed him by testifying that he had been a moudiahid or a freedom fighter, Mr Nahnah's support for Mr Bouteflika came as a cold

shower "The image of Mr Nahnah meeting those who had humiliated him and touched through to the president's his honour was painful to office on the first round of me." said Mohammed Yazid, a former official. He told a local newspaper Mr Nahreal votes were counted on nah's move "confirmed that election day, the MSP could he was part of the regime find its controversial back- and that he is taking part in fallen back into line. At the ing for the establishment a closed game that aims to impose a candidate on the Algerian people".

But Mr Nahnah's decision

regime opponent but whose interests have always lain in alliance with the ruling

establishment. In the cancelled 1991 elections in which the now banned Islamic Salvation Front (FIS) won a majority of parliament seats, Mr Nahnah's

FIS's 3.2m. Since the FIS was banned, the party which promotes a moderate Islamist ideology has been put forward by the regime as a docile alternative.

In 1995, when Algeria's main parties boycotted the presidential election, Mr

who has often posed as a votes compared with the a pluralist image. He

Respectable scores were recorded by the MSP in subsequent legislative and local elections. Mr Nahnah always denounced the elections as rigged, then happily agreed to have the MSP take part in

concerned

at rising

net fraud

voiced concern over the ris-

ing number of frauds and

disputes relating to goods

and services bought over the

It says that even though

the internet accounts for

only 1 per cent of its £463bn (\$745bn) European Union

turnover, nearly half of all

disputes and frauds in the

region relate to internet

The trend has alarmed

many of the big European

banks that issue Visa cards

and could damage consumer

Sandra Alzetta, an elec-

tronic commerce specialist

at Visa EU, said: "We abso-

lutely have to do something

about this. We have to make

sure that shopping on the

internet is as safe and easv

Visa said that some 47 per

cent of disputes and frauds

were internet-related. Some

they did not carry out the transaction - and 25 per cent

were other types of complaint. Common complaints

included consumers saying

they did not get what they ordered, or goods were deliv

ered late, or they did not

intend to make a purchase,

or they did not recognise the

22 per cent involved frauds essentially people saying

as it is on the high street."

confidence in e-commerce

internet.

Visa

India ruling caps good week for US at WTO

Success for trade officials on bananas, but China deal still waiting, write Nancy Dunne and Stephen Fidler

ful one for the US trade representative, and as Charlene Barshelsky sinks into a chair she is obviously

Trade Organisation for the US in its banana war with the European Union. It ended just short of a deal hetween the US and China that would have paved the way to bring into the fold the largest trading nation

Almost unnoticed was one of the most important victories the US has had before a WTO dispute settlement nutel. It ruled that for the first time since 1948, when the global trade system was founded, India can no longer

grounds that it is suffering a balance of payments crisis. The decision, which is import of 100 televisions.

ast week was an event- imports of fewer than 50 shefsky calls it, underscores last week went Ms Barshef-

ers, arguing that the deal as in Congress.

Organisation on 'weak and unacceptable terms' which

hard and comply".

sations.

ments crisis, and which also

going to have to stop think-

isolated hox." she says

says. China cannot be allowed to enter the WTO she favoured signing a maron "weak and unacceptable terms" which would set ket access deal with China consistent, enforcement out- but she and others were a poor precedent for Russia's accession and that of The week began with a remarkable market," says to vagaries and political pro- who took the counsel of other former communist

She emphasises the close co-ordination between the US and Europe over China's

"The press always focuse: on bananas and beef and all that," she says, speaking of trade disputes with the EU. "But we've been working very closely with Europe on this accession."

She says the banana ruling by a WTO arbitration panel - that the US could proceed with sanctions against the EU for its failure to reform its discriminatory hanana import regime very significant"

It may mean the radical revisions of rules contemplated for the dispute settlement system are not actually

win."

The ruling, she says, shows: "If you win, you

However, not everything and none that will be," she

Envoy defends Nike's practices in Vietnam

November 29.

By Jonathan Birchall in Ho Chi Milch City

Pete Peterson. US ambasendor to Victnam, has foined the debate over labour practices at the Nike sport-shoe company in Asia. During a tour of the South

Kurean-owned Tae Kwang Vina plant outside Ho Chi Minh City. Mr Peterson stressed the benefits Nike had brought to Vietnam and its workforce. "You have to and new toilet facilities. remember that we are talking about young people who are coming straight from the farms, who are getting the opportunity to train and to learn a new skill," he

The ambassador's visit was part of Nike's efforts to show it has taken steps to improve working conditions industrial consultant that would be unacceptable potentially dangerous levels improvements.

of toxic chemicals, fuelling an anti-Nike campaign in the

Nike Vietnam says it has significantly improved air quality at Tae Kwang Vina and its other sub-contractors in Vletnam, mainly through the replacement of solventbased adhesives and primers with water-based material. The factory has also sought to improve ventilation and has installed water fountains Dara O'Rourke, the

report's author, welcomed the improvements and said Nike's changes "appear to have significantly reduced noted that workers in some national Youth Federation

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In the past five years, Nike has become the largest shoe manufacturer in Vietnam accounting for 32 per cent of the country's footwear

exports and employing 35,000 workers, of whom most are young, unskilled women. At the Tae Kwang Vina plant, about 10 per cent of the workers receive the minimum legal wage of \$40 a month. Vietnam accounts for 10-15 per cent of Nike's total sports-shoe production worldwide. In another development,

Nike has joined US toymaker Mattel in an attempt to develop independent monworker exposures to toxic itering of the conditions of solvents, adhesives, and its sub-contracted workers. other chemicals". But he Run by the US-based Interparts of the plant still faced and called the Global Allirisks from over-exposure to ance for Workers and Comat the factory. In late 1997, a hazardous chemicals, as well munities, the \$10m scheme report by an independent as to levels of heat and noise will initially use local organisations to monitor the conrevealed that workers at the under US law. Nike says it cerns of workers at 20-30 facplant were being exposed to will continue to make tories in Vietnam, Indonesia. Thailand and China.

Pakistan not to buy back bonds

By Farhan Bokhari in Islamabad Pakistan would not attempt to buy back its sovereign international bonds, in spite of a deadlock over how to restructure them, according to Ishaq Dar, the country's

finance minister. Senior government officials said the decision to abandon the buyback option was intended to pacify the Paris Club of lenders. "Pakistan is determined to follow the Paris Club conditions rather than cause a

break," said one official. Analysts argued that a buyback would have upset Pakistan's relations with the Parls Club, with which it rescheduled \$3.3bn of its foreign debt in February.

The minister's statement follows speculation that the country, encouraged by improving liquid foreign exchange reserves, may have the minister is likely to distried to buy back its international bonds. Pakistan has floated four sovereign bonds

worth \$750m.

The future of Pakistani bonds is seen as an important test case for developing countries' debt and may set a precedent for other countries restructuring international debt, analysts say. Reports of a possible buyback have added to anxieties in financial markets.

Among the Paris Club's conditions. Pakistan was told to restructure its bonds The club apparently wants the burden of debt restruct uring to be shared by lending governments, banks and individual investors.

The move to restructure Pakistan's bonds has been noted in international markets. Analysts say it could be a precedent to be followed by restructuring debts of countries such as Brazil and Russia. Mr Dar is due to travel to

Paris next week to attend the annual Pakistan development forum, a meeting between representatives of an aid-recipient developing country and its western donors, to discuss its development policies. Although the issue of Pakistan's debt restructuring is not on the formal agenda, officials say cuss it with donor represen-

Mr Dar said the bond issue remained "floating", suggesting that there was no formal decision yet on how soon and in what manner it could be resolved.

the highest level in more

than a year.

In a related development Pakistan's liquid foreign exchange reserves edged up to \$1.87bn at the weekend.

supplier's name. Visa says all complaints involve significant process ing costs for issuing banks or conceding the case with out investigation. This was not sustainable, given predictions of explosive growth in e-commerce.

E-commerce transactions are encrypted, but it is hard to verify that buyers and merchants are who they say they are. That is why Visa is urging a swifter adoption of the Secure Electronic Transaction (SET) protocol and a rapid move towards digital signatures.

"We believe SET is the most secure payment method," said Ms Alzetta. However, use of SET is currently "close to zero", according to one industry commentator. John McGuire, chief execu-

tive of Trintech, a California supplier of secure payment software, said banks had their own infrastructure in place but they needed to deploy it at merchant and consumer level. It was only right that banks took on more of the cost, he said, because of the fees they collected from merchants for processing transactions. He endorsed the view of SET as the way ahead.

being appealed against by the Indian government, could affect 2,700 tariff categories and would lift tight restrictions on consumer goods, agricultural products, plastics and chemicals. In 1993-94 India permitted The "Bop" case, as Ms Bar-

consumer will be much the beneficiary. The panel rulings in Wash-

some much-needed ammuni-

tion on Capitol Hill and

across the country when

arguing the value of the

the US prepares to bost what

may be the trade body's

most controversial ministe-

rial meeting, in Seattle on

The India case is also cru-

cial because it is the first

time a panel has ruled on a

balance of payments case.

It is particularly helpful as

each of microwave ovens, the importance of having a sky's way. US officials said vacuum cleaners and wash- global dispute settlement ing machines. It allowed the system with "predictable, "This is a potentially comes which can't be subject overruled by a president.

She says she has made similar statements even it stood would not be backed when the US has lost cases

China cannot be allowed to enter the World Trade

would set a poor precedent for Russia's accession ington's favour will give her and she has had "to swallow Ms Barshefsky was not willing to be drawn on the The case was won with the issue. Asked about the view that waiting until later in help of the International Monetary Fund, which in the year would increase the 1997 found that India no longer had a balance of pay-Capitol Hill, she describes it as "an interesting observa-

pointed out the need for closer co-ordination between the two international organi-"These institutions are ing of each other as in an has even been like this one

But she expresses no doubt about the importance of getting China into the WTO - on the right terms. Everyone recognises that there is no accession that

of monetary union

By Henry Tricks in Acaputco

Mexico has sparked debate about broadening the North American Free Trade Agreement (Nafta) into an eventual monetary union after top officials at the weekend argued in favour of "converging" with the economic policies of the US and Can-

Battling to fend off pressure from the private sector to dollarise Mexico's economy, José Angel Gurría, finance minister, and Guillermo Ortiz, central bank governor, suggested they would work instead to bring inflation and budget imbalances into line with Mexico's northern neighbours

Their comments marked the first time either has openly talked about "convergence", the term used for bringing economic indicators into line as in the process of European Monetary Union. It was the buzzword of choice at the Mexican Bankers Association annual conference here.

Bankers saw it as a possible step toward buttressing Nafta, which is the world's largest free trade zone. More

silencing talk that Mexico currency, a suggestion that has gained momentum since the financial instability in emerging markets last year.

"Convergence opens up for us an avenue of greater cerdevelopment. Among many other reasons, that path will be safer because as it advances the importance of the type of exchange rate regime will diminish," Mr Ortiz said.

John Reed, co-head of Citigroup, the US banking giant, championed convergence, urging Mexico to start talks with the US government on the issue. But Mexican officials said because of elections next year in the US and Mexico, neither government wanted to take the political risk of opening remained under-capitalised negotiations.

Officials said moves towards convergence on economic fundamentals would bolster investor confidence and help Mexico overcome a cycle of economic crises that has plagued it at every presidential election for more than 20 years.

But they admitted the pro- Grupo Serfin may need to raise immediately, it was aimed at cess would take years to \$100, Page 23

complete, because of some should adopt the dollar as its Mexican indicators such as inflation, which has begun to decline this year after a peak in 1998. Mr Gurria said he saw inflation, which is targeted at 13 per cent this year, falling to single digits tainty to promote economic in 2000, lower than the fore-

cast of 10 per cent. The government was also comfortable with its floating exchange rate. In spite of the strong peso, the trade deficit was revised down last week to \$284m in February, its lowest in nine months.

Bankers point out tight fiscal discipline in Mexico has kept the economy largely immune to fallout from Bra zil, but the deficit still has far to go to match US and Canadian levels. Another weak link is the

since the 1994 peso crisis, and is lending 60 per cent less than before 1994. Carlos Gómez y Gómez, head of the Mexican Bankers Association, said Mexican banks needed \$5bn in new

banking industry, which has

capital to meet the country's credit needs.

, Mexico sparks talk | Canada banking chiefs to seek reforms

The chief executives of Canada's six largest banks will today ask Paul Martin. finance minister, to remove the capital tax on banks and allow them to increase their flexibility by establishing holding companies.

The meeting is the first to bring together all the top bank executives and the finance minister since Mr Martin's controversial decision last December to block mergers involving four of the banks.

introduce an overhaul of front on legislative reform regulated and unregulated financial services legislation and head off the divide and segments of the financial by early June, and the banks conquer tactics used by Ott- services market. The banks fear the government will awa in the merger debate, maintain most of the current regulatory restrictions and add new ones designed to protect consumers.

Relations between the government and the banks have rarely been poorer. Most bank executives believe Mr Martin rejected the mergers for political reasons, primarily to shore up his future leadership aspirations in the Liberal party.

said one bank executive.

They will ask Mr Martin to abolish the current capital taxes, which include a 1.25 per cent tax on all capital in excess of C\$300m (US\$200m) and a 12 per cent surtax. The banks argue the taxes discourage them from increasing assets and should be replaced by a tax on income. The banks also want the right to restructure as hold-

are facing increased competition from single-line companies in unregulated businesses such as credit cards. mortgages and asset-backed financing.

The government is expected to support that request, but is still undecided on whether to lift current ownership curbs that prevent a single shareholder from owning more than 10 per cent of a bank's stock. Banks want a The chief executives are ing companies to allow sepa- 20 per cent cap to give them rate entities to operate in the more flexibility to enter

While the banks are also hoping Mr Martin will loosen restrictions that prevent them from selling insurance directly, they appear to recognise strong lobbying from insurance brokers may dissuade Ottawa.

The banks have also been pressing Ottawa to allow them to sell vehicle leases. ited from offering leases, allowing much of the market to be captured by the US. "If we can't win that one,

there's nothing we can win,"

JS employers labouring as jobs market tightens

Companies are turning to religion and other less conventional ways of finding employees. Gautam Malkani reports

field, California, today starts a permanent job with a mobile phone company. The company is blessed. Were she not a member of her local Church of Jesus Christ of Latter Day ranks of temporary employ-Saints, it would probably never have found her.

"It was a Sunday last year that I talked to my bishop after I lost my job," she says "I went to say I may need some help with the rent and food because I'm a mom with two kids." But instead, the church faxed her résumé to an employment agency and she had the first in a succession of temporary placements before she could even start her own job hunt.

With the US labour market wrenched about as tight as it will go, Americans hardly need to pray for work. Instead, desperate for more

nn Barton of Bakers- workers, employers are turning to religion and other less conventional ways of finding names to put on wage slips. Manpower, the Milwaukeebased employment agency, has added hundreds to its ees over the past year through its church recruiting programme.

"We advertise in church bulletins and newsletters to get the word out that Manpower has jobs available and when the church refers its members to us we in turn force is mothers or students or senior workers and all of these people are found in religious organisations."

Manpower has also tapped Bosnian and Vietnamese refugees for its database of job seekers by working with the conditions that a pizza deliv-

social service agency in dangling a \$200 signing-on retire from the military. Amarillo, Texas, for the past month.

Corporate employers are taking desperate measures too. This week, the first of a more seductive signing-on bonus - a BMW Z3 - will be delivered to an employee of internet commerce company in Montgomery, New Jersey, "It's almost impossible to find the right people," says Stephen Neish, director of strategic business develop-

Stock options, longer vacations, reimbursed tuition fees and other perks have mostly proliferated in frantimake a donation," says cally tight sectors such as IT Gretchen Kreske of Man- and finance. But with the US power. "A lot of our work- unemployment rate at 4.2 per cent last month - its lowest level in 29 years few sectors have been spared

from the famine. The Federal Reserve discovered in its 1997 annual survey of regional economic

Catholic Family Services ery service in Dallas was recruit people planning to bonus and "big discounts on pizza" for qualified drivers and managers.

different job markets but adds Susan Gant, marketing over the past three years, if I could clone people I would," says Patti Homerick of good time for people to look Mirronex Technologies, an Acsys, a Georgia-based employment agency. She recalls "easier" times for hiring agencies. "In 1999-90 we had 200 applicants for every job. Now for every good candidate at a certain level, there are probably 10-12 opportunities that we could present to them as soon as they walk in the door."

> merican shopping mails house tempting Job A Shop kiosks with internies design retention active, touch-sensitive schemes to minimise staff screens flashing vacancies at turnover. shoppers who, like most Americans, are probably not looking for a job.

Telesec Corestaff, an

"Our target market has changed from someone who does not have a job to some-"Twe lived through a lot of one who already has a job,"

"We have to suggest it's a for other opportunities. If you are looking for a career change, if you are looking to shorten your commute, now is that time to do that."

Keeping staff faithful in such an alluring job market requires similar perks, so that quitting is like drinking too much: you have to hand over the car keys. Maury Hanigan is chief executive of Hanigan Consulting in New York, which helps compa-

"These are as good as days get for us," she says. "Ten years ago companies were spending money trying to agency based in Washington, figure out how to lay off

Chávez threatens state of emergency in Venezuela

By Raymond Colitt in Caracas

President Hugo Chávez of Venezuela has said he will declare a state of national emergency if Congress does not approve the special powers he is seeking to implement far-reaching economic and state reform measures.

"Either [I get] the enabling law or I will decree the state of emergency in a few days. I will not wait any longer. The country is sinking, the people have nothing to eat." he said during a weekend military ceremony in Car-

Mr Chavez said he banned his cabinet ministers from testifying before congressional committees that had requested hearings over the government's proposals. (The proposed measures) have been explained more than enough. There is no

He defied Congress to launch impeachment proceedings against him. "Let them try me. I'm not stepping down. Let's see who this battle."

returned the economic



Hugo Chavez: push to get

reform legislation to Congress, saying it was "too limited". The bill, which includes tax increa designed to jump-start the budget deficit estimated at 9

Congressional leaders last week indicated they were ready to grant the government some, but not all, of crats. the additional powers it sought, after Mr Chavez suggested they were defending the status out of corruption and inefficiency. He cited a public development

the \$3.3m budget was lost in administrative and person-

nel costs.

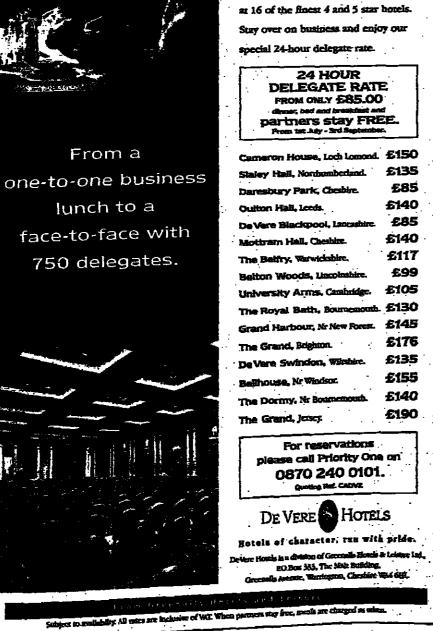
sive has renewed concerns over his authoritarian style and also heightened the power struggle with Congress, renewing the pros pects of a full-blown constitutional crisis.

Analysts say the latest showdown is a critical test of strength for Mr Chavez, who enjoys immense popular sup port but lacks a majority in Congress. The outcome will determine the government's ability to tackle the pressing economic challenges and could also set a precedent for governability of the country

in coming months. Political tension has mounted in recent weeks as the new political forces that swept to power with Mr Chavez on February 2 have clashed with established politicians, judges and bureau-

A number of high-profile investigations into alleged



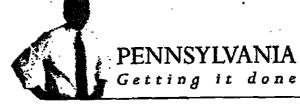




Not all the Silicon Valleys are growing out west. This one, in fact, isn't even west of Pittsburgh.

Kingdom Computers, based in a tiny valley in north central Pennsylvania, is one of the fastest growing start-ups in the U.S. Why? Because Kingdom Computers builds award-winning PCs and provides incredible service. And because of a great high-tech business partner - Pennsylvania. "Dealing with the Ridge Administration is like dealing with family," says 28 year-old Mike Ulmer, Kingdom Computers' president. Kingdom took advantage of Pennsylvania seed financing and business contacts and reaped the benefits. Now one of the top 50 PC

companies in the US, Kingdom's rapid annual growth rate is projected to be 800% over the next three years. And thanks to business incentives like a 10% R&D tax credit and Tech 21, the Governor's initiative for a high-tech Pennsylvania, other emerging-tech companies are taking mor here as well. No wonder Pennsylvania is a top ten state in high-technology firms. So join the rush and move your high-tech business here. With all the valleys in Pennsylvania, you could have one all your own. For more information call 1-800-554-PENIN.



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contrary to the predictions against the dollar. of some of its more turned into a reserve the US dollar's supremacy.

Nor does it appear to have portfolio shifts as investors looking to diversify out of year their home markets plough capital into the euro-zone.

surprising thing about the performance of the euro in

The euro has been driven disappointed. lower against the dollar by

launched. Europe's new pattern familiar to veterans

European Central Bank enthusiastic supporters, officials have recently currency which threatens in the value of the euro, pointing out that it has only backtracked on the D-Mark's benefited from huge rise against the dollar towards the end of last

However, in the currency markets, the hopes placed in In fact, the most the new currency at its caught up in the excitement launch - and particularly of the launch. the idea that it would be its first 100 days has been its greater than the sum of its parts - have so far been Some analysts predicted

in investment from outside single currency has not. of the DMark's behaviour the euro-zone and push the

currency higher. But there are few signs that international investors played down the fall are putting money into euro-denominated markets. Robert Lawrie. international fixed income

> strength of the euro from the He claims the market got

"Essentially the euro has already been in existence for 15 years via fixed exchange rates," he said. "All they did at the

 The single currency has 11 members: Belgium, Germany, Spain, France, Ireland, Italy, Luxembourg, Netherlands. analyst at Merrill Lynch, has Austria, Portugal and Finland been sceptical about the Four European Union countries have not yet lomed: Britain. Sweden.

and

unemployment signalled

budget

rising

launch to subside.

"europhoria" which had the potential surrounded the currency's medium-term portfolio German finance minister, shifts," he said. "But they

redicy in the euro-zone

 On Jan 1 1999; exchange rates of the 11 participants were fixed irrevocably; the banking and finance industry Central Bank took charge of monetary

 On Jan 1 2002: circulation of earo bank On Jul 1 2002, rational banknotes at coins will no longer be legal tender

Rob Minikin of Citibank will he just that said at the end of the first medium-term week of the euro's life that a progressive. contractionary German

The growing feeling that policy-making in the euro-zone was confused by fortunes of the currency, and

Oskar Lafontaine, then continually criticised the ECB for failing to cut only with last week's cut of interest rates, in what one market analyst described as "monetary terrorism". That added to the general feeling that investment in the the groundwork for a real euro-zone could wait for a recovery in the value of the

Since the end of the brief honeymoon, the euro's short life has been one of gradual decline. Brief fireworks were provided by the snock London. resignation of Mr Lafontaine in March.

temporary revival in the

commissioners quit en masse four days later. But according to some analysis. 50 hasis points in euro-zone interest rates, aimed at boosting economic growth in the region, has the ECB laid

"There is an underlying desire to buy the euro," says Nick Parsons, chief currency strategist at Paribas in

realised. Investors are His departure caused a looking for value and looking at the euro." The weakness of the

"The lesson of the euro's movements during its first 100 days is that there have been so many false dawns that the market has been wary of getting sucked into another one." Mr Parsons

In the near future, many in the market think the euro is unlikely to stage a substantial break away from its current level, about 8 per cent below its launch

And the day it finally achieves the status of the world's foremost reserve currency still seems a long

CAPITAL MARKETS SMOOTH TRANSITION HAS BEEN MADE TO A DUAL-CURRENCY WORLD

European investors give spur to euro-denominated bonds

Capital Markets Editor

The page of activity in Europe's capital markets has taken even optimists by surprise since the single currency was launched 100 days

Prior to its inception. analysts were predicting that the euro would account for between 30 and 40 per cent of all international bond issuance, with the dollar maintaining a clear

They clearly underestital markets.

issuance, according to Capi- markets. tal Data BondWare, a data

ket share and dollar-denominated bonds accounting for 44.9 per cent of the total

Other global currencies, including sterling, yen and the Swiss franc, account for the remaining 10 per

The euro may have so far failed to live up to the most optimistic expectations of currency traders, but the bond markets are already operating in a dual-currency

The euro's initial success mated the psychological in the capital markets impact of the smooth transi- has been driven by both tion to the euro on the capi- investor demand for bonds and the eagerness of Euro-In January, bonds denomi- pean companies to take nated in euros accounted advantage of the low of all international available in the securities

in addition. European banks have been encourag-This lead over the ing their clients to switch dollar has since fallen to the bond markets for but the two remain neck regular funding requireand neck, with euro-denomi- ments, and stick to the nated bonds accounting for banks for more complex (and

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TRADE SHARES ON MARGIN

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41.1 per cent of global mar- higher-margin) needs such as acquisition and project finance.

The market's response to February's hostile bid by Olivetti, the Italian information technology and telecommunications company, for the privatised group Telecom

Italia is instructive. Bank syndicates quickly assembled around both companies, promising huge sums to fund the hostile takeover (or Telecom Italia's defence against it).

But in both cases, the promised loan financing was contingent on the borrowers' ability to refinance the loan in the bond markets within 12 months

The banks, in other words, were confident that bonds of for almost 50 per cent fixed-rate cost of funding up to €15bn (\$16.1bn) could be successfully launched in Europe's corporate bond markets.

This would comfortably outstrip the \$8bn bond launched by AT&T, the US telecoms company, as the largest corporate offering in

Union

OPTIONS & FOREX

PRIVATE CLIENTS WELCOME

bond markets is astonishing this early in the life of the single currency," said a semor US banker. "Investors have bought the argument

hook, line and sinker." The pace of activity is also surprising considering the currency's weakness against the dollar since its launch.

This has discouraged US and Japanese investors from putting money into the eurodenominated bond markets for fear that any rise in the price of the securities they hold would be offset by the

depreciation in the currency The growth in the market has thus been driven almost entirely by domestic European investors such as the large Dutch and French pension and insurance funds.

In addition, there are signs that Europe's fledgling junk bond market is also beginning to pick up: a number of newcomers, such as Jazztel. the Spanish telecoms group. have successfully launched the last fortnight.

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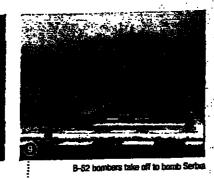
Growing pains of a new currency

Euro against the dollar (E per S)

1.16

1.08

lacques Sauter, ortgoing European Commission president



Jan 4: First day of trading in the euro

San Pacio-IMi proposes merger with Banca di Roma

(2) Mar 24: Nato begins bombing of Yugoslavia

Christa Randzio-Plath. the

German chair of the Euro-

pean Parliament's monetary

committee, warned the

banks they needed to do

"The holiday season starts

"Consumers are worried

that they are being made to

is hard to

IMPACT ON BANKING MORE URGENCY FELT IN BANKS' MOVES FOR CONSOLIDATION

Jump-start given to mergers among top financial groups

By George Graham, Banking Editor

The euro was always was not a possibility of more than 20,000 a day with ing to pass on to their cusexpected to provide the spur waiting around for 10 years." a value of €355bn, and in the tomers the savings from the for consolidation in the said Daniel Bouton, chair- early weeks of February this elimination of exchange rate European banking industry, man of SG, after announcing figure rose to more than risk within the euro zone. but most bankers expected the process to take three to five years.

Now, it seems three to five months may be a more appropriate timeframe. Already, Banco Santander

and Banco Central Hispano have agreed to merge to form Spain's largest bank. Société Générale and Paribas followed suit in France, provoking such a panic at Banque Nationale de Paris that, rather than be left out of the merger round, it launched unsolicited bids for both of its rivals.

Italy, too, has seen frenzied corporate activity, with Unicredito Italiano making an all-share offer for Banca Commerciale Italiana. That would have created Italy's largest bank, but hours later it was topped by San Paolo-IMI with an offer for Banca di Roma

Clearly, these institutions had more reasons for merging than the arrival of the new European currency. but the euro has certainly provided a jump-start.

"We felt that the euro day, with a total value of the to convince customers." made it very urgent to move. €1.046bn (\$1,125bn). Cross- and EU officials, that they We were convinced there border payments averaged are not profiteering by failhis bank's merger plans with Paribas.

On the operational side. the most optimistic had

The system is still being used largely for high-value banks have moved smoothly interbank payments, with into the euro era. The con-only 16 per cent of transacversion weekend threw up tions representing payments

fewer problems than even on behalf of bank customers.

But banks have more probat Easter and if more and more people realise that it's sometimes even more expensive to travel now they'll ask themselves 'What's this monetary union for?" she

Early problems in the Target system with bottlenecks at some central

banks appear to have been overcome' hoped, and the ensuing lems to come. The European

and financial markets settle down fairly quickly. Early problems in the Tar-

get system, with bottlenecks at some national central banks and misunderstandings, now appear to have been largely overcome.

In January, Target - operated by the European Central Bank as hub for all of the EU's national settlement systems - handled an aver- that there was no collusion, age of 151,000 payments a the banks face an uphill bat-

an investigation into bank tions, with high-profile raids on banks in France, Italy, Germany and Spain.

whether banks had colluded prices for making euro payments and exchanging cur-

rencies.

But even if they can prove

foot the bill for the euro," said a spokeswoman for weeks saw payment systems Commission has launched Beuc, the European consumers association. "The fear is charges for euro transac- that the start of the euro spells the start of them having to pay more."

more.

Charges have come down, The immediate focus of but exchange rate risk is not ings about payment rout- the investigation was the only cost involved in currency transactions. Even with one another to fix if the currency is now the same, payment systems are still national. If retail crossborder payments are to come down in price, the banks have much work to do to

CONSUMERS APATHY TOWARDS DOUBLE PRICING AND DISAPPOINTMENT AT BANK CHARGES

Shoppers yet to be roused as switchover process grinds on

By Emma Tucker in Brussels

The first 100 days of the euro have not been a success for From disappointment over

high fees charged by banks for exchanging euro-zone currencies, to general apathy towards double pricing, people cannot see that "there is much in it for them", according to Beuc, the European consumers' association.

Such fears may be allayed as consumers come to terms with their new currency. So far, however, the euro has made little impact on the everyday shopper.

Beuc believes more needs to be done to encourage people in euro-zone countries to get to grips with the euro and is urging retailers to introduce double pricing as quickly as possible.

In such countries as Bel- circulation period to be gium, Germany, Luxem- dropped. bourg and the Netherlands, It argues that retailers

many retailers have already would face a "tidal wave" introduced double pricing. of old currency coins that but Beuc would like the prothey would be obliged to cess to be more comprehenstore at considerable cost Retailers, however, have their own separate worries.

quantities of old coins in ernments. With only 21/2 years to go retail outlets will create conbefore notes and coins start siderable security risks for to circulate, they fear that both shop staff and consumthey have been unfairly lum-bered with the herculean ers." says Friso Coppes, director of EU affairs for task of distributing the new Ahold, a leading Dutch currency and of coping with retailing group. a long and complicated period in which the new

Moreover, a dual circulation period could lead to connotes and coins will circufusion, particularly for small late alongside the old retailers. Market traders and waiters, for example, would That period could last up have to juggle two cash to six months, depending on

Retailers would prefer - a pushing hard for the dual released to consumers in 10 people.

advance of the change to the new currency in a process This would take some of

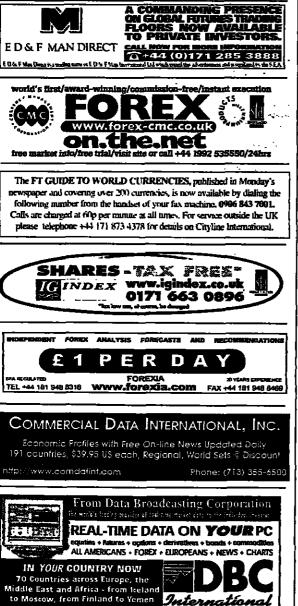
the distribution pressures off retailers and would minimise confusion, they argue, but it would have to be "The collection of huge thrashed out with EU gov-

Companies, meanwhile, are doggedly putting in place the systems needed to cope with the single currency.

A survey by the Fédéra-tion des Experts Comptables, the European accountancy federation, showed that by early this year 60 per cent of 1,000 EU companies surveyed had taken steps to prepare for the euro, compared with only 31 per cent a year

However, the rate was "big bang" switchover, with much lower for small compalimited amounts of euros nies employing fewer than

earlier.



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national currencies.

European retailers is now

the country.

Shake-up for modified crops body

The UK government plans a complete overhaul of a key of the food scientists with advisory body on genetically modified foods, following links to the biotechnology

Ten of the 13 members of releases to the environment the GM industry, provided (Acre) - which approves tri- the move does not harm the als of GM crops - are to be replaced in June.

Michael Meacher, environment minister, says public confidence was shaken by

food companies.

He plans to replace some experts in wildlife, plant life and farming methods, claims it is tarnished by to assess the possible longer-term impact of GM

He also aims to bring in the advisory committee on academics with no links to quality of advice given to

"Acre has been criticised on the grounds that it is too close to the industry." Mr Meacher said yesterday. "I

there is a question of public perception."

Acre found itself at the food scare in February, when Friends of the Earth claimed that six members of nodded through," he said. the committee had some link with the biotechnology sec-

"Acre is a bunch of moon-lighting industry boffins," said Robin Maynard, FoE

campaigns director. Mr Meacher admitted pub-

bers of the committee have no reason to believe lic concern was heightened committee members were received funding from GM that any of the evaluations I by the disclosure that, of 160 not being sacked, and that have received from the com- applications received by the membership had to come mittee have been blased or Acre for GM seed growing or up for renewal in June inadequate in any way, but research, each was under Lord Nolan's rules on approved.

"It was not widely reported that many of the will allow Mr Meacher to centre of the national GM applications had to be amended, but the perception was that they were simply Mr Meacher, backed by

John Prescott, deputy prime minister, is seen in government as one of the leading advocates for a cautious approach to GM food devel-

He stressed that the 10

public appointments.

However, the upheaval appoint advisers who will instinctively be more critical of new GM crop initiatives.

Acre's remit will be extended to consider possible long-term damage to the environment from GM crop planting, including any cumulative effect on wildlife and the possibility of crosscontamination with other

US defence companies face delay on \$1.2bn project

By Alexander Nicoll, Defence Correspondent

The Labour government's first big decision on a competitive defence procurement has been delayed by a request to the US contes tants to make their cases in person to George Robertson, the defence secretary.

Ministry of Defence officials had been expected to tell ministers last month which of three contenders to supply a £750m (\$1.2bn) airborne stand-off radar (Astor system they preferred.

Mr Robertson intervened at the last moment to ask Lockheed Martin, Northrop Grumman and Raytheon all of the IIS ~ to make final points to him in separate

presentations. The conflict in Yugoslavia has delayed the meetings, and the MoD was unable to say whether dates have been set for them. It said it still planned to announce its decision, which will be debated by ministers on the cabinet sub-committee on defence and overseas policy within two months.

The Kosovo crisis has demonstrated the need for Astor, which will be operated from adapted business jets flying at 50,000ft over safe territory, and will give commanders a detailed pic ture of activity hundreds of kilometres behind enemy

Nato pilots have been bampered in their efforts to attack Serbian vehicles and forces on the ground in Kosovo by their inability to identify targets quickly enough, partly because of cloud cover.

Although all the Astor bidders are American, each has been arguing strongly that its system would have substantial UK content and that about 2,000 British jobs would be created. It would be more advanced and cheaper than comparable surveillance systems available to US commanders.

NEWS DIGEST

NORTHERN IRELAND ASSEMBLY

Two premiers set to join talks over arms impasse

The Ulster Unionist members of the Northern Ireland assembly meet today in advance of the resumption of negotiations tomorrow aimed at ending the impasse over terrorist arms which is preventing the setting up of Northem Ireland's new government.

Tony Blair, the UK prime minister, and Bertie Ahem, his Irish counterpart, are set to join the discussions later in the week, amid signs that Sinn Féin, political wing of the Irish Republican Army, is hardening in its opposition to any gesture on arms to end the roadblock. Republicans have dismissed as "unimpressive" the two governments' proposals to the IRA and the loyalist paramilitaries to "put some arms beyond use" as a way to overcome the pro-British Ulster Unionist misgivings about sharing govemment with Sinn Féin.

Martin McGuinness, Sinn Féin's chief negotiator, sig-nalled that Sinn Féin would look with scepticism at any attempts to link the issue of IRA decommissioning with troop withdrawals by the British army. Meanwhile, Archbishop Sean Brady, head of the Catholic church in Ireland, said there must be "an honourable way forward" for both parties, to prevent the province slipping back into "murder, mayhem, and misery". John Murray Brown, Dublin

EURO

Survey highlights transactions

Nearly 20 per cent of small and medium-sized businesses which export or import are being invoiced in euros by sup-pliers outside the UK and 12 per cent are being paid in euros by non-UK buyers, according to a survey released by Lloyds TSB today.

Lloyds said the survey of 200 businesses had been weighted to be representative of the sector as a whole, which is estimated by the trade and industry department to consist of about 110,000 companies. Lloyds said the survey showed that 65 per cent of such companies belief the UK should join the euro, and 86 per cent think it will, while 52 per cent said they were fully informed on the euro. A survey of all businesses published last month by Business for Sterling, which campaigns against early UK membership, suggested that nearly three-fifths of businesses want to stay out of the euro. However, the poll was criticised by pro-euro campaigners as unduly weighted towards small businesses. Kevin Brown, London

SOCCER CLUB BID

Murdoch gives 'no war' pledge

Rupert Murdoch yesterday said he would not declare a "holy war" against the government over its decision to block the bid from BSkyB, the satellite broadcaster, to take over Manchester United. The media tycoon's comments to the Sunday Business newspaper will comfort ministers, who feared a possible anti-Labour party backlash in Mr Murdoch's newspapers, including The Sun, the UK's top-selling daily paper. Meanwhile the trade and industry department denied reports that it was considering changing the rules on mergers specifically to protect smaller Premier League football clubs from takeovers by media groups. George Parker, London

Women customers win warmer welcome at the bar

Pub chains compete to make their outlets 'female-friendly', Sheila Jones reports

pushed aside by a rapidly growing number of female

prompted many pub chains, such as Bass, Fullers and pubs by two to one. Allied Domecq, to convert houses into more "female

friendly" outlets. Their attempts to coax in colour schemes and light, alry interiors, such as All Bar One from Bass and Marston's Pitcher and Piano

The latest offering is from mainstay of our business." Allied Domecq, which has Today, the pubs and spirits Street pub in Leeds, in north-east England. It is a £500,000 (\$805,000) conversion, which the group claims has the feel of a traditional British pub, rather than that

of a Continental-style bar. "We wanted to stay well doing," says Clare Rooney, northern marketing manager. "We don't want to

The typical male drinker It is not a women-only bar, who props up the bar in but it is taking the great the British pub is being British pub idea a step forward.

Allied set up a five-woman taskforce 18 months ago to Flat sales in the industry come up with ideas to and rising wage costs have attract more women. Men outnumber women in British

"The conclusions from the some of their traditional ale research are not rocket science," says Ms Rooney, "It is about common sense. Women have higher expectamore women has produced a tions, and are more demandrash of new bars with trendy ing and discerning. They want staff to be welcoming and a pub to be clean and comfortable. We think those sorts of changes will be just as popular with men, the

The research concluded 1,500 pubs across the UK. that women want some table service to avoid "the scrum group opens its pilot Wharf at the bar"; toilets that are easy to find and are clean with good lighting and full length mirrors; good ventilation; clear glass windows to allow women to "window shop" before entering a pub; comfortable chairs rather than stools; and a more posiclear of the sparse cafe-bar tive attitude among staff lar, those entering pubs alone.

Jo Cottam, area manager alienate our male drinkers. and a member of the task-



force, says many women been trained to be more complained that they were often ignored by bar staff, who served men first. "There is often an assumption that a woman at the bar is with a man and that she is not waiting to be served. I don't know where that assumption comes from, but we have to change it," says Ms Cottam.

"We have raised the floor and fitted larger windows, so that women can see what look that everybody else is towards women, in particu- they are coming into. We have also brought in more comfortable chairs, magazines and plants.

"welcoming and positive" towards customers, particularly if they are alone, says Ms Cottam. "There will be welcoming eye contact or a greeting from one of the staff as customers come in to the pub. They might be asked if they are looking for friends and perhaps walked through the pub to find

Staff have also been trained to advise on a wider selection of wines, although the bar still stocks its traditional beers as well as tea. Staff at Wharf Street have coffee and bistro-style food.

FINANCIAL TIMES

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If the Wharf Street idea works, more of the Allied chain, which includes the Firkin and Mr Q brands, will adopt "best practice" and some of its more traditional pubs may be converted.

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ANNUAL GENERAL MEETING OF SHAREHOLDERS This Notice with enclosures is mailed to, or, as the case may be, may be obtained by, all Shareholders of The First Mexico Income Fund N.V. (the "Corporation").

Notice is hereby given that the annual general meeting of Shareholders (the "General Meeting") of the Corporation will be held on April 29, 1999 at 3:00 p.m. (Netherlands Antilles time) at the office (the "Office") of the Corporation at John B. Gorsiraweg 14, Willemstad, Curação, Netherlands Antilles.

AGENDA

 Opening. Adoption of the report of the Managing Director on the course of business, the balance sheet and the profit and loss account covering the financial year ended December 31, 1998 of the Corporation together with an explanation setting forth the method by which the assets of the Corporation have been appraised (collectively, the "Financial Statements"), as prepared by the Managing Director, approved by the Corporation's Supervisory Board and audited by the independent accounting firm Arthur Andersen & Co., and the determination of the profits. The Financial Statements are available for review at the Office of the Corporation until the close of

the General Meeting. Appointment of a proposed Managing Director, the discharge of the current Managing Director and the approval of a Delegation Agreement between the current and proposed Managing Directors, contingent upon approval by the Board of Supervisory Directors of the Corporation of a Delegation Agreement with respect to the appointment.

Adoption of amendment to Article 11 of the Articles of Incorporation

Adjournment

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DIVIDEND & INTEREST PAYMENTS

TODAY Y300,000 ABB AB Skr2.18 Asia Development Bank 11% Bds. 2001 £110 PSD 9a Barclays Australia Intt. Fin. 8% Gtd. Nts. 1999 A\$80 Enterorise Oil 11%% Ln. 2016

£5.8125 Higher Education Sec. Inv. Class B1 FRN> 2028 £683.44 Do. Class B2 FRN. 2028 £683.44 RAMS Mort. Corp. Class A1 FRN, 2032 \$1,313.81 Do. Class A2 \$1,323.92 Do. Class B \$1,387.12

■ TOMORROW Booth Inds. Grp. 0.5p Budgens 0.5p Carlton Comms, A.D.R. \$0.8326 Rank Org. A.D.R. \$0.2352

Smith (David) Hidgs. 2.7p

Abbey National Capital Sub. FRN. 2003 \$26.54 Do. Sub. FRN. 2009 SwFr772.55 Armitage Brothers 3.4p Commonwealth of Australia 9½% Ln. 2012 £237.50 Bermuda Bond Funds \$0.16 BOC Grp. A.D.R. \$0.5243 Bristol Water Hidgs, 18.5p Do. Non. Vtg. 18.50 Gartland Whalley Baker 2.8p Kobe Steel 3\$ Bds. 1999

■ WEDNESDAY APRIL 14

Do. 3.2 Bds. 2000 Y320,000 Morgan Sindali 4.45p

■ THURSDAY APRIL 15 Aberdeen Preffed Income Tst. Aurora Funding (No.1) Class A1 FRN. 2006 £6,201.58 Do. A2 £7,498.59 Do. B £7,683.52 Do. C £8,115.03 Do. D £10,580,78 Do. E £12,738.32 City Mortgage Receivables 1 FrN. 2023 £23.53 Do. 2 FRN. 2023 £25.78 Do. 3 FRN. 2023 522,11 Do. Class B. FRN, 2023 £57.12

Do. Class B FRN. 2028 Do. 5 FRN. 2032 \$5.28 Do, Class B FRN, 2032 267.73 Do. 6 FRN. 2029 £26.91 Do. Class B FRN. 2029 £57.12 Enterprise Oil Sub. FRN. 1999 £41,635.62

Do. 4 FRN. 2028 528

Finland (Republic of) 111/2% Ln. 2009 £287.50 Do. S FRN. 2030 £788.09 Porvair 4.10 Franklin Resources \$0.055 Provend Grp. 2p Goode Durrant 0.875p Residential Mortgage Secs. 2 Govett Strategic Invst. Tst. Class A FRN, 2037 £54.16 9%% Db. 2017 £4.9375 ICM Computer Grp. 0.9p Richards 4% Cm. Pf. 20

ICI 93/4% Bds. 2005 £97.50 Do. 51/2% Cm. Pt. 2.75p Smithkline Beecham 3.66p Ireland (Republic of) 8% Cap. SONAR 2 Class A1 FRN> 2022 £118.89 Do. 11%% Cap. 2000 Do. Class B FRN> 2022 £170.93 Johnson Fry European

WEEK AHEAD

Do. 10% Bds. £100

MEPC 9%% Bds. 2004

111/4% 2017 £5.625

Southwark. £1.50

Cm. 2.8125p

\$276.16

SO.25

Motorola \$0.12

Do. 1014% Bds. 2003 £102.50

Merton (London Borough of)

Morgan Sindall 5.625% Conv.

National Australia Bank FRN.

Occidental Petroleum Corp.

Ocwen Mortgage Loans Class A1 FRN. 2029 £117.61

DO. A2 FRN. 2029 £491.34

Do. M1 FRN. 2029 £503.23

Do. M2 FRN. 2029 £541.45

Ocwen Mortgage Loans 2 Class A1 FRN. 2030 £346.14

Do. B FRN. 2029 £346.14

Do. A2 FRN, 2030 £532,77

Do. B FRN 2030 £719.62

Do. M FRN. 2030 £558.25

Metropolitan Water board

Ln. 2001 IRE4

IR25.875

298.75

Wereldhave Property Corp. 9.5% 2015 £4.75 Do. 10.75% Db. 2015 £5.375

FRIDAY APRIL 16 AB Astra B. Skr1.90

WEDNESDAY APRIL 14 IN TODAY COMPANY MEETINGS: COMPANY MEETINGS: BOARD MEETINGS: Grass 2.00 Bond inti Sc Riva Grp.

E TOMORROW COMPANY MEETINGS:
Morgan Sindali, The Armourers' Hall
81, Coleman Street, EC. 12.00
Porvair, Kng's Lynn, Town Had,
Saturday Market Place, King's Lynn. Nortelle 12.00

Interims: London & St. Lawrence Inv.

Estates & General, The Washington Hotel, Curzon Street, W. 10.30 Grosmont, 17, Handver Square, W.

Centre, Royal Seaforth Docks, Port of Liverpool, 12.00 POARD MEETINGS:

THURSDAY APRIL 15 COMPANY MEETINGS: Herry Ramsderf's, Harry Ram Restaurant, White Cross, Gui Leeds, 11.00 Leeds. 11.00 Wookwich, The O'Eli Conterence Centre, Broad Santuary, SW, 2.30

BOARD MEETINGS: Finals: Polydoc

Proudfoot 0.3p Seco Grp. 5.1p Swansea (City of) 134% Rd.: 2006 26.875 United Utilities A.D.R. \$1,1812 Do. \$1.1927

E SATURDAY APRIL 17

Pennant intl. Grp. 2.4p SUNDAY APRIL 18 Allied London Properties 5%%

Conv. Cm. Rd. Pt. 2.875p

UK COMPANIES

Bensons 1.5p

2020 92.4663

Do. Units 1p

Do. S0.2072

2.43p

Lonmin \$0.1476

British Gov't 21/2% Treasury

Henderson Eurotrust 1p

Inn Business Grp. 1.85p

M & G Recovery Invst. Tst.

National Pwer A.D.R. \$0.7975

Do. Non.Cm. Dollar \$0.492188

National Westminster Bank

Do. Geared Units 2.43p

9% Non. Cm. Pf. 4.5p

Do. package 2.43p

2.03 Lloyds TSB, Edinburgh Intl Control Centre, The Exchange, Morrison Street, Edinburgh, 10.30 Mersey Docks & Harbour, Mark

Finals: Automotive Precision Hidge Delicath Inns Rughy Estates Xpertise Grp.

BOARD MEETINGS:

pe Shipping Hidge. B. FRIDAY APRIL. To COMPANY MEETINGS: Chieftain Group, Copinome Hotel, Chayside, Newcastle upon Tyre, 12.00 A Copinome, Mileorium

BOARD MEETINGS:

Company meetings are annual general Please note: Reports and accounts normally available until approximately six weeks after the board meeting to approve the prefirmary results.
This list is not necessarily comprehensive since companies are no longer obliged to notify the Stock Exchange of imminent announcement

CONFERENCES. VENUES AND COURSES

CONFERENCES

Meltinational Enterprises & Codes of Conduct - Social Policies

Conference on ILO Declaration or Fundamental Principles at Work, Codes of Conduct (ILO, OECD, EU), Corporate Codes. Spe Professors Heople, (Cambridge); Blanpain, (Belgium); Hanami, (Japan); Mr. Tapiola, ILO; Mr. ielger, OECD; Mr. Jones, TUAC; Mrs France, IOE: Mr Williams, C&A Mr. Neyts, Levi's; Ms. Jones, Nike Tel: +32 (16) 499499 Fax: +32 (16) 480921

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Atiku Abubakar, Vice President Elect,
Nigeris; Dr Rilwenu Lukman, Secretar,
General, Organization of the Petroleun
Exporting Countries; Mr Hiroyuki Hiro,
Senior Advisor, African Department,
International Mountains Elect Me. Senior Advisor, African Deparament, International Monetary Fund; Mr. Halseem Belo' Osagle, Chairman, United Benk for Africa Pic; Mr. Jeremy Pope, Executive Director, Transparency International; Mr. Freddik Scott OSE, West Africa Committee Representative, Nigeris; Mr. Jim Massay, President, Mobil Europe and Africa Limitat; Dr. Insentano Loce. Africa Limited; Dr. Jonethen Long. Managing Director, First City Merchan Bank Limited; Mr David Hampshire, Managing Director, Guinness Africa. Managing Director, Guinness Ai Contact: Monique Artestelio Tet: +44 171 873 3375

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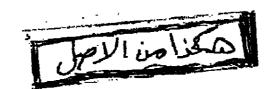
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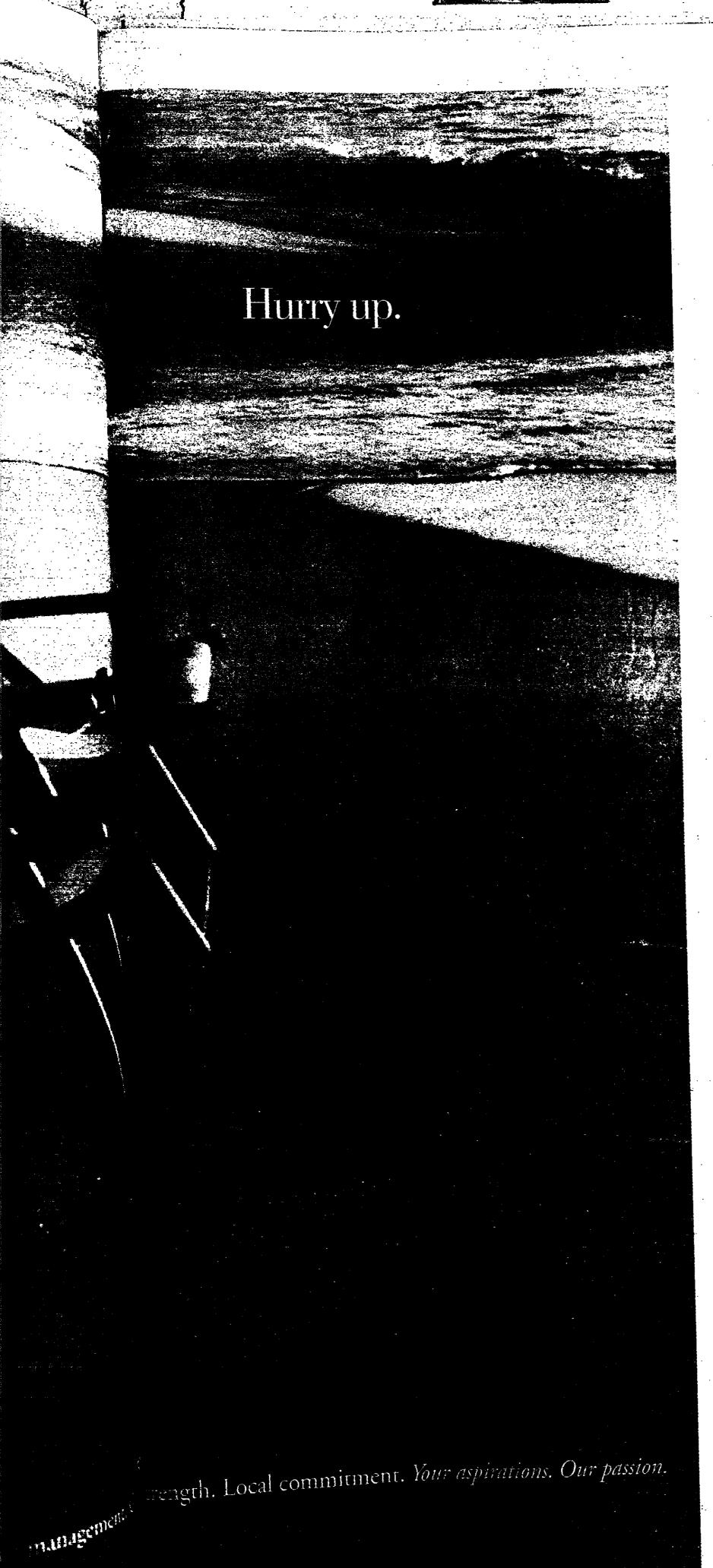
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sales and margins for every

region of the world: the

information is no more than

the figures by region, by

product line, or by customer.

He clicks on the US to get

sales by state; then on Ari-

zona for the figures for each

anything looks amiss he can

instantly fire off an e-mail to

scrutiny is not to everyone's liking. Those who are

uncomfortable with the sys-

tem generally do not last

the individual concerned. Working under such close

A computerised accounting system to cut bureaucracy and costs has proved crucial to rapid growth, writes Roger Taylor

apart only by the letters on

floors are divided into cubicles and offices. The cubicles come in two sizes. The offices are al! 10ft x 12ft. None have windows. The floor plans displayed on the walls look more like computer circuits than maps of where to find people.

These are the offices of world's (astest growing com-

most of the computers that drive the internet, and is now one of the 10 largest corporations in the US by market value. It provides the infrastructure of the internet: the routers and switches that direct traffic around the

The company has outperformed the competition and won new business with relentless efficiency. Larry Carter, chief financial officer, is its head mechanic.

Mr Carter, who spent 30 of the industry and spends only his 55 years in the semicon- 1 per cent of those revenues ductor industry before joining Cisco in 1995, takes personal pride in the company's has contributed, in large Spartan surroundings. Every chair at Cisco, he says with satisfaction, is the same.

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On the outskirts of of computerised accounting division is doing around the San Jose, California, and management controls world, and even how each is a collection of 35 that cuts out every dollar of virtually identical brown unnecessary cost. But he against his or her target. office blocks that can be told insists he is not a beancounting control freak. His main aim, he says, has been Inside each building, the to create a system that operates with the minimum of bureaucracy and allows the greatest flexibility to

employees.

Take expenses. At Cisco, any employee can travel anywhere without prior individual salesperson. If approval. The employee enters the travel request into the system and as long Cisco Systems, one of the as it meets company policy coach class air tickets only he or she will automatically Only 14 years old, Cisco is be reimbursed within 48 responsible for building hours. The point, Mr Carter says, is to ensure that employees are free to do whatever is necessary for the customer rather than wasting time on bureaucracy. "There will always be

some who abuse it." Mr

Carter says. "but we do not

slow down the whole com-

pany because of that 1 or 2

per cent. I will catch those who abuse it." The result is a company that claims the highest level of revenues per employee in

on its finance deparment. The cost control system part, to Cisco's success. From his desk each morning Mr Carter can track exactly Mr Carter has dedicated how much money his comhimself to building a system pany is making, how each

per cent constantly." Mr world. Carter says.

unforgiving of people who automatically, and in many the company. But for those He calls up a page showing who are committed, the rewards are bountiful. Employees get paid in part 24 hours old. He can review with options on Cisco stock. which has risen 10-fold in the profit. the past four years, making many of them extremely

wealthy Mr Carter's system may be impersonal, but it is end of every day. undoubtedly efficient. Purchasing, sales, marketing accounts within three days and even the hiring of staff is managed through a co- Before the end of 1999, he ordinated network. About 70 aims to have that down to per cent of Cisco's \$11bn sales arise from direct orders over the internet, making it long at the company. "We one of the largest e-com-

largest companies, "Not in

my wildest dreams did I

think this would happen."

Passion: Cars. He owns 10.

including "a few" Ferrarls, a

aim to take out the bottom 5 merce operations in the

This information enters Cisco's modus operandi is the company's accounts cases is then passed on to third-party manufacturing contractors that deliver the goods. In some cases, no-one at Cisco need ever look at the order. The company just clocks up the sale and books

Mr Carter believes his system gives him an almost complete view of how the company is trading at the

He says he can close group one day. Such achievements are not just a matter of professional pride: Mr Carter believes they give Cisco an

Most chief financial officers, he says, receive financial reports two weeks or more after the quarter has closed.

By contrast. Cisco executives see updated figures every morning. "When things slowed down, as in Japan, we saw it nine months before our competitors," he says. Similarly, Cisco was able to respond onickly to the recent pick-up in demand in Europe.

Having an up-to-date picture of trading also helps with investor relations. It cuts down the likelihood of nasty surprises when company results are published. in the past 12 years, Cisco has never once missed Wall Street's expectations. That is as much to do with keeping Wall Street accurately informed as with running the business well. This has been an impressive feat, especially considering how rapidly Cisco has grown.

When Mr Carter joined the tinue to move at a rapid company four years ago, it pace. The traditional answer had 4,500 employees. Today has 17,000. He was hired but the bureaucracy then by John Chambers, chief slows you down. How do you executive, to manage that stay at the pace of a start transition, because of his experience with small and large companies: he has Cisco's were implemented worked for Motorola, the universally, it would make phones-to-semiconductor the traditional methods of has no plans to move on. He giant, and the much smaller quarterly or half-yearly says he likes being a chief

financial reporting redun- financial officer and has no dant. Mr Carter says be will been the issue of most con- soon be able to do a virtual close of the company's books at the end of every day. If everyone could do it. why not get companies to report their results daily over the

internet? Mr Carter is uncomfortable with the idea. "When you release information to shareholders you release it to competitors as well." he

Even though his system is almost complete, Mr Carter ambition to start up his own

But even if Mr Carter is staying put, his management practices are being adopted far and wide. He says he has had calls from his peers at Dell and Texas instruments who want to copy the Cisco system.

The company has established a division that provides free advice on using the internet to improve management systems. One day, maybe all companies will be run his way.

Larry Carter Essential Guide

Born: Miami, Arizona, a small copper mining town. "All my family are copper miners. I decided I wanted to do something different." University: Tempe, Arizona BSc degree in business administration and accounting from Arizona state university. Career: 30 years in the semiconductor business. Worked at Advanced Micro Devices, SGS Thomson

Microelectronics, VLSI Technology and Motorola. Moved to Cisco in 1995. Age: 55. Married with three children, all at college. Reason for success: "I have always worked. From the age of 10 I did newspaper rounds and house painting. I knew that if

you want to get ahead, hard

work and perseverance were

Worst experience: Paralysed by polio when he was 13, his mother was told he would never walk again. "I refused to believe it. With willpower and therapy, I was able to overcome it." Today the only residual effect is some tiredness in his legs after skiing.

Best experience: Being CFO of one of the world's

Dodge Viper and - his favourite - a 1936 Packard 120 Convertible. Interested in post-war history, particularly industry. "I read a lot of books on different companies. Like the Packard Company. It once made some of the finest cars in the world and look what happened to it." Hero: Peter Gunn, 1960s TV private eye, who was always "cool" no matter how exciting things got. Chance to be his hero: Cisco recently made a corporate video to telli employees about a new office building. The video was styled as a Mission Impossible episode and Mr Carter got to star as a secret agent on a mission to find it. Holiday: Houseboating at Lake Shasta with family during summer and Christmas at vacation home in Lake Tahoe. Hobbies: Skiing, fly-fishing, cooking. "I have learned in my job that stress will get to you. Balance is important."

There are a few key points

to bear in mind about body

language. First, it is not ran-

dom, but follows certain

rules. Take eye contact, for

instance. This is in part

determined by physical dis-

tance (stand too close in the

lift and eye contact drops);

topic of conversation (shame

and embarrassment are sig-

naled by reduced eye con-

tact); interpersonal relation-

Second, body language is

MANAGEMENT BODY LANGUAGE

Actions speak louder than words

Our background and emotions are apparent before we say a word, writes Adrian Furnham

rant?

The answer could depend on the waiter's body language. Research in the US has shown that tips tend to be larger if the waiter disappointed appraisees are touches the diner; if the with particular feedback waiter initially crouches -And of course, no sales tuition is complete without as opposed to stands - while attending to the diner; and if advice on what to watch for the waiter gives a big and in customers to maximise

"authentic" initial smile.

The fact that the same behaviour in the UK might lead to a complete refusal to leave any tip at all highlights an important issue: body language is often culturally distinct. Some winks. gestures and postures do not travel well. Japanese inscrutability, for example, is partly a function of very different rules associated with body language.

Cynics sometimes dismiss ships (we look more at those talk about body language as we like); co-operative tasks amusing trivia. But an (we look more at co-operaunderstanding of it certainly tors than at competitors) helps people in business to and personality (extroverts be better communicators. look more than introverts). Nearly all human resources courses in the business primarily learnt. With few world deal with non-verbal exceptions (such as facial communication. expression), many specific

In negotiation courses, non-verbal features such as trainers emphasise how to gesture and posture are

How large a tip do "read" one's opponent; in learnt as part of growing up. lead one automatically to to think through the you leave in a restau- selection skill courses. In Naples, gesture capital of conclude that communicat- answer); verbal distancing long past events. Moreover, instructors teach how to the world, five to six times detect dissimulation in appli- as many routine, interpretcants; in appraisal work- able gestures are used to communicate ideas than are sarily better than using a silences (because liars overshops, video feedback is used used in London. to indicate how pleased or

> 'Body language is often culturally distinct. Some gestures do not

travei well'

Third, non-verbal cues are a reasonably good indicator of states of emotions, particularly at extremes. Sweating, trembling and fidgeting are all known signs of anxiety that are beyond the person's control. But all this should not

(through face-to-face meetings or video links) is necesmore restricted medium, such as the telephone, e-mail or post. For one thing, people remember more of a message if they receive it in print rather than via an

VLSI Logic, among others.

cern," he says, "From a man-

agement and fiduciary role, I

do not want to lose control.

But we also want to con-

to growth is more controls

In theory, if systems like

up?

"Managing growth has

audio-visual presentation. It seems that reading requires more mental effort, which results in better memory. In addition, readers go at their own pace and are not distracted by the appear-

ance of the speaker. For another, it is easier to detect people lying through verbal cues only (in other words, on the telephone) rather than in face-to-face communication. Verbal cues include response latency (taking longer to reply to

ing with body language (saying "one" rather than "I"); slow but uneven speech: an over eagerness to fill compensate for silences) and too many "pitch raises" instead of pitch drops at the end of a sentence. Of course, there are good

body language cues to lying. Increased squirming or shifting in a chair, a decrease in hand gestures; a loss of resonance in the voice and an increase in face (particularly nose) touching. The latter cues may look like lying occurs supposedly because the hand is brought up to cover the mouth (unconsciously) to prevent the lies escaping, but also because increased nervous system arousal often causes a tick-

ling sensation in the nasal cavity, questions because of having is more difficult to lie about sity

feelings than about facts. It is difficult to fake powerful emotions even about old-fashioned guilt means

that some people still feel bad about telling serious (as opposed to white) lies. There is also the fear of being caught, called detection apprehension. Finally, liars are caught by "duping delight" - the relief shown when they think they have got away with it

But beware your newfound ability to catch llars. If one is speaking in a second language, all the verbal when they are nothing of the sort. And simple anxiety often found in the job interview, or appraisal, or even public performance - means that people may appear to be lying when they are not.

The author is professor of Liars are caught because it psychology at London Univer-

Board Members of the Qualifications and Curriculum Authority (QCA)

The Authority was established in 1997 to advise the Secretary of State for Education and Employment on the school curriculum, assess was established in 1997 to acress the conficultum for the under 5s, the National Curricultum for 5-16 year olds, national tests for 7, 11 and 14 year olds, GCSEs. quantizations institutions cover the contention for the miles so, the reported contraction for 5-10 year order, natural tests for 7, 11 and 14 year order, c A-levels, GNVOs and NVOs. It also accredits and reviews externally awarded qualifications (except those of higher education inshiptions) and supports industry-led bodies to develop occupational standards. It helps ensure that all of these contribute effectively to improving the nation's level of attainment in adjustify has bouled to contact of contact of the second o expected to take part in ancillary committees and projects.

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For further information and an application form please send a postcard or Email bearing your name and address and reference 'OCA' lost JON LYNCH, the Department for Education and Employment, Caxton House, 6-12 Totalil Street,

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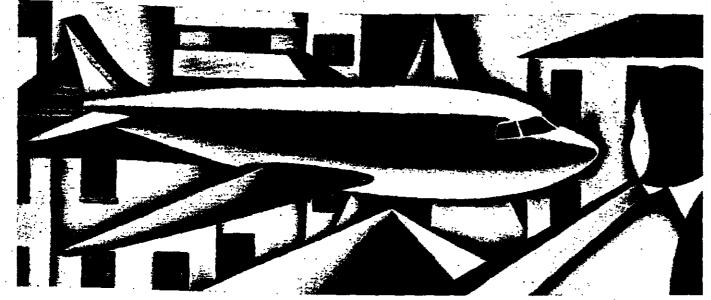
The Person





Stone: basic instinct for body language

INSIDE TRACK



BUSINESS TRAVEL COSMIC RADIATION

Fear of frequent flying

High altitudes may be bad for your health, writes Farrol Kahn

devery day, but some, such as frequent fliers, are exposed more than others. The radiation is caused by electrically charged atoms known as ions that come from outer space. It is also produced by medical X-ray examinations and some industrial and pharmaceuticals products.

Airline crew and frequent fliers receive bigger doses than the general population because at high altitude the Earth's atmosphere is thinner and offers less protection - the exposure can rise from 100 to 300 times more than at sea level. New UK research into the biological effects of ionizing radiation is reviving a long-running debate about the possible health risks and how, if at all, the aviation industry and regulators should be responding.

According to a study by Dudley Goodhead, who runs one of the world's leading radiation and genome stability units, ions can cause genetic mutations in human egg cells and sperm cells, and can damage a developing foetus. Professor Goodhead, who is based at the UK's Medical Research Council, has found that would produce an annual dose larger research programme was

Olus

People are exposed to wide spectrum of damage to duration on Concorde is equal to background radiation DNA, breaking single and double 2mSv, because the supersonic airstrands of its double-helix struc-

> "This is exciting as we know that cancer grows from a single cell that experiences multiple changes," says Prof Goodhead. "Cosmic radiation increases the chance of changes or aberrations in the cell."

For most people, this should not raise any health issues. But, as Robert Souhami, dean of the Medical School at University College, London, observes: "The radiation risk is dosage related." So the more you fly, the greater

The average person in the UK receives an annual background dose of 2.6 millisteverts (mSv) of ionizing radiation a year. Air crew and some frequent fliers, including couriers, are at the top of the occupational exposure pared with workers in nuclear plants, who receive 3.6mSv. The annual limit for nuclear power plant workers in Europe is 20mSv, whereas 6mSv is the limit for air crew.

Put into perspective, 200 hours of flight on a subsonic aircraft higher than normal. Another ionizing radiation can produce a equivalent to 1mSv, but the same carried out by Pierre Band, head

craft flies at a much higher altitude.

A frequent flier on conventional transatlantic routes between London and the east coast of the US, spending 700 hours in the air, could receive an annual dose of 5.7mSv, including the average dose from background radiation

Wallace Friedberg of the Fed-

Airlines would be reluctant to fit heavy lead lining to cockpits

eral Aviation Administration's Civil Aeromedical Institute, says this represents 170 chest X-rays a year (based on 4.1 hours at league with 4.6mSv a year, com- 37.000ft equalling one chest

> Over the past decade, several air crew studies have been conducted. In a British Airways survey of 411 pilot deaths, incidences of malignant melanoma, colon and brain cancers were slightly

of a cancer agency in Vancouver, on 2,740 Air Canada pilots. He found an increased incidence of prostate cancer and acute myeloid lepkaemia, and slight increases - not significant statistically - in malignant melanomas, brain tumours and all types of leukaemia.

Another significant study on 1,577 female flight attendants working for Finnair between 1940 and 1992 showed twice the risk of breast cancer compared with the general population.

Reaction to these studies has differed radically. US regulators and health experts believe any harmful effects would be minor. The European Commission, however, is playing safe by issuing a directive that requires all European airlines to start measuring dosages on each flight from next

Ionizing radiation can be stopped from penetrating the body only by a thick shield of lead, concrete or water. But airlines and airframe manufacturers would be extremely reluctant to

fit heavy lead lining to cockpits. James Currie, the Commission's director-general for environment, nuclear safety and civil protection, did suggest, however, that manufacturers could try to design aircraft with greater fuel efficiency at lower altitudes.

TECHNOLOGY PHOTONIC FIBRES

Colourful secrets from the butterfly's wing

optical integrated circuit, photon-

ics researchers want to make

possible to create

paints that change

colour or that avoid

By making tiny patterns in

man-made materials, researchers

are creating effects in materials

that may work in photonic

systems. This may lead to

devices that do not need elec-

tronic circuits and a separate set

of optical devices to turn electronic signals into light and to

Roy Sambles, head of the Thin

Film Photonics group at the Uni-

versity of Exeter, says research

Professor Sambles and his col-

leagues have found that butter-

carry this from place to place.

toxic solvents

do not see the light.

Photonics - chips that process light - has a natural inspiration, says Michael Kenward

Scientists sometimes get their best ideas by observing and unitating nature.

Scientists sometimes get the light that reaches the wing.

In their search for the electro-Electronics researchers are hoping to emulate the butterfly's wings to create the optical equivalent of the semiconductor integrated circuit.

Photonic devices - chips that also hope to increase the effican carry and process light sig- ciency of light-emitting diodes in nals - could replace the mixture of separate electronic circuits and optical devices that make up the world's increasingly optical telecommunications and data transmission systems.

Photonics generates considerable commercial interest. Marconi Communications, the electronics group, said in February it was expanding its research and development facilities in the technology, creating about 100 jobs at Nottingham in the UK It might even be and Genoa in Italy.

Marconi bas developed technologies that allow existing optical fibres to carry more data by sending different light wavelengths along the same optical link. The company recently started supply ing a new generation of optical multiplexers - devices that combine data and feed it in and out of the communications network.

Marconi has extended the capability of communications optical systems by building multiplexers around optical switches, and it would like to take this further, says Phil Griffin, photonics development director. "The ideal situation," he says. "is that you have a purely optical network, that you switch optically and do all your processing optically."

Researchers hope to develop materials that will enable new applications for optical systems. Nature offers a starting place.

Most coloured objects get their colour from dyes and pigments relatively novel things about how that selectively absorb some light wavelengths while scattering others. In the butterfly's wing, the colour we see is due to the physi- flies employ several physical procal influence of tiny patterned

fresh ways of producing not only photonic devices but electronic devices that work at different wavelengths, in microwave systems, for example. It might

light go round corners, or to toxic solvents. extract a particular wavelength Another research group, at or colour from the light. They Bath University, is taking a different tack to produce detailed microstructures within materials. such devices as compact disc Philip Russell and his colleagues are turning optical fibres into players and communications

even be possible to create paints

that change colour or that avoid

The Exeter group hopes to find

photonic components. The group takes bundles of sil-The butterfly's wing contains tiny scales. Light reflected from the scale's bottom layer interacts ica rods and tubes and draws the bundle through a small die at about 2,000°C. The bundle starts with light from the top. The peaks and troughs of the waves with a diameter of a centimetre add up or cancel out in a process and ends up squeezed by a factor known as interference. What we of 10,000 to a diameter of about 40 see are the light wavelengths micrometres. The squeezed fibre contains tiny holes less than 100

nanometres in diameter. The holes are in an even pat tern, making up the photonic structure that determines the light's path. In some cases, the light waves in a "holey fibre" can experience the same interference effects as on the butterfly's

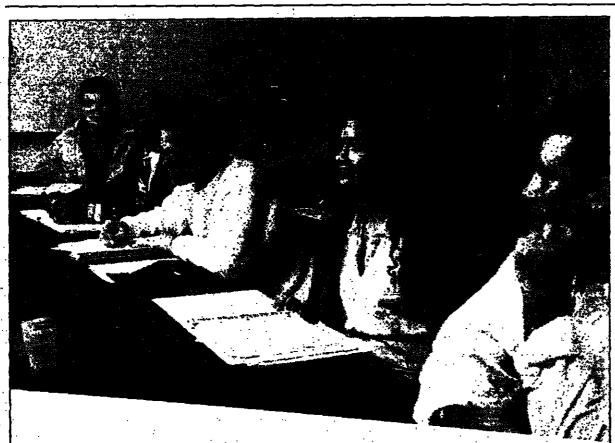
The Bath group has demonstrated that its fibres, with their honeycomb structure, can prethat reinforce one another. vent light from escaping. Shining Where the waves cancel out, we white light into a fibre may mean green light emerging from it.

Prof Russell and colleagues hope to exploit the phenomenon. They have filled the holes with liquids to investigate possible new lasers or devices that can change the wavelength of light as it travels through fibres.

Laser amplifiers are used in increasingly optical telecommunications systems. But there are gaps in the spectrum where there are no suitable lasers. Lasers made from fibres with holes in the middle may fill those gaps.

into butterfly wings "is telling us These are early days for photo make photonic structures". tonic fibres, but several companies are interested. Prof Russell and his colleagues are also considering the commercialisation of the work within the university.

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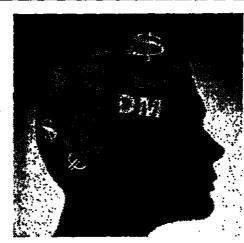
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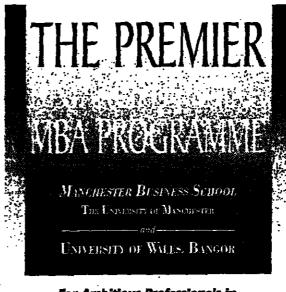
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1

Guru with a teaching mission for his country

The mastermind behind a business school for India tells of his plans

Sumantra Ghoshal is the onward leg to India. In Delhi, the peripatetic management guru will preside over a "doctor's surgery" advising Indian companies. He will tell executives, as he will have told their Finnish counterparts a business-class flight earlier, how to become village heads in the global

Prof Ghoshal is a village head himself. He holds the Robert P. Bauman chair in strategic leadership at the London Business School and is a leading management scholar. His book. Managing Across Borders: the Transnational Solution, is regarded as a seminal work.

He is also the foremost example of a growing phenomenon: the Indian management scholar. He sits at the apex of a growing body of Indian management academics that has spread from management schools in Calcutta, Bangalore and Ahmedebad to universities in North America and Europe. It is, as one observer said, "a cottage industry, excelling more abroad than at home, typically Indian".

The trend was neatly summed up by a senior official at a European business school. When told that the retiring dean would presumably be succeeded by an "American or European", he replied "or Indian"

It certainly will not be Prof Ghoshai - at least not ally and emotionally, we

India Centre to launch.

The India Centre at the London Business School is Khozem Merchant Prof Ghoshal's big project. It is driven by emotion. "I count myself very much as an Indian and this (project) flying to Finland - is also something personal, but his mind is on getting lots of Indians together to put our compa nies on the map," be says.

It is also driven by market logic. "India is very salient right now. But to get their companies on the global man. Indian management has to be improved." The result is the Aditya V. count ourselves as a part of

that initiative. The vision

[behind Kellogg and the

Birla centre] is simple, clear

and quite compelling. It says

every century new world-

century, given the role of

Asia, crises notwithstanding,

it is not unlikely that some

of these institutions should

Though notionally based

at LBS, the Birla centre will

be "at one level, a virtual

centre of the vast network of

make this work", be says.

toral theses and so on will

shift between London and

India. An MBA course is not

on the agenda but an execu-

tive education course is,

with the focus on "dissemi-

nating [the school's] ideas

The school will be

research-driven. Its output

will be relevant to Indian

industry and will help "in

bridging the West and

Typically, a class of doc-

into Indian industry".

india", he says.

arise in Asia."

class institutions arise. Next

Birla India Centre at the LBS. Commitments of £2m have been received from the Birla family, one of India's largest industrial houses, turning the early idle talk into near-reality. After a long gestation, the

main components are in place, says Prof Ghoshal. The money has been raised; the commitment from LBS is secured; support from the network of Indians at home and abroad is partly achieved; and a director has been selected.

India is rather more fashionable than Indian industry. That is one reason for having such a centre, says Prof Ghoshal. But it will not be the first. Two US business schools,

Kellogg at Northwestern University and the Wharton school at the University of Pennsylvania, have jointly launched an Indian business school, with backing from rich US-based Indians such as Rajat Gupta, managing director of McKinsey, the management consultancy. It will be based in Hyderabad. Prof Ghoshal says: "Mor-



too industrialists.

dential corporate data.

"My hope is that out of the

30 or so studies that we will

support, 15 will become gen-

uinely world-class research

which we will get published

in world-class journals. This

will enhance the reputation

of research done in India,

This would at least redress

one alarming paradox. India

exports top-class manage-

ment scholars but rotten

education system is world-

class," he says. "But the

linkages with industry, insti-

tutional norms, lack of

Indian [research] side

doesn't work very well.

Given the quality of people,

perhaps the research is not.

in terms of both quality and

quantity, what it could have

been. So our objective is to

help build that.

research work.

and will also be genuinely

useful to Indian industry."

INSIDE TRACK

China to examine how an

Indian company (such as

Ranbaxy, the pharmaceuti-

cals group) has prospered

there. They would be accom-

panied by managers from

rival Indian companies so

they can learn new tricks.

We can afford this "field

research", Prof Ghoshal

says. Other schools in India

He is keen to "leverage as

much as possible the

resources that already exist

things that others do not. So

focus will be core manage-

ment issues: strategy, organ-

isation, leadership, change

technology - all the func-

tional aspects that make

One aim is to improve the

quality of doctoral theses

produced in India. Despite

what Prof Ghoshal describes

as "exceptionally high-

calibre students", the stan-

dard of doctoral research has

disappointed. The centre

would broker brain-storming

companies tick.

could not.

Indians we are mobilising to in India. But we want to do

'In terms of management, quality of

values, clarity of thinking, leadership

top companies I have studied'

ability, I would count these among the

toral students could go to sessions between Indian doctoral students, international scholars from the west and Getting Indian industrialists to join in, as backers and as class participants, is central. Indian students have long complained of industrialists' indifference, while the ability, I would count these latter say they are unwilling among any of the top companies I have studied in North to trust students with confi-America, Japan and

things won't happen."

He singles out Reliance. "There are few companies

The top end of India's large project management. reality is that because of form the students' subject inertia, history, inadequate Auto, Infosys and Ranbaxy The centre also has a growincentive or whatever, the ing database of Indian companies. Through its sponsor ship of doctoral work. seminars and management training, it hopes to emerge as the pre-eminent centre for the study of Indian corporates, covering issues that

case the sliver of Indian industry that is genuinely world-class. There are at least 10 Indian companies that Prof Ghoshal ranks as among the finest in the world. "In terms of management, quality of values, clarity of thinking, leadership

Europe," he says. The real battle, he says of Indian industry, is a management one. "Yes, there's a technology battle, yes there's a scale battle. But unless they improve their understanding of, and quality of, management, other

the petrochemicals group. know in the world which have Reliance's skills in

Reliance is one of 15 top Indian companies that will matter, along with Bajaj are relevant to India and,

Designs on a virtual corporate university

Corporate universities are a growing part of the management training scene, particularly in the US. The Corporate University Xchange is hosting a symposium in Washington DC on April 26 to 28 analysing the best way to design a virtual corporate

The Corporate University Xchange will also sponsor the Corporate University Excellence Awards Dinner on April 27. At the dinner five organisations will receive awards for, among other things, creating learning Illiances with universities and using technology to create a learning work

Corporate University Xchange: www.corpu.com

Lesson with a deep meaning

Business schools are increasingly using novel situations to bring home management theories. At Theseus, on the French Riviera, deep-sea diving is being used to demonstrate

The course is part of Theseus's "mini MBA" which runs for five months from January to June. The course has been developed by a consortium of international companies, including France elecom, Du Pont and Ericsson, for their

Accreditation for Rotman

The Rotman School at the University of Toronto has been accredited by the AACSB, the US business school accreditation body. The accreditation covers

the school's MBA, executive

MBA and other undergraduate and graduate programmes. Rotman school: www.mgmt.utoronto.ca

Community. project

The Helsinki School of Economics and Business Administration has become the latest European busine school to join Cems, the Community of European Business Schools. Other members include HEC in Paris, the Rotterdam School of Management in the Netherlands, Esade in Barcelona, and the London School of Economics.

Cems offers a masters programme that is ssentially a four or five-y combined undergraduat and masters degree. At some universities - LSE is one example - the Cerns masters comprises one year's postgraduate study undergraduate programme management or other

elevant subject. The programme graduate 250 students a year and there are already 1,500 Cems alumni in the workplace. Cems: www.cems.org

City nights for iate learners

London's City slickers will soon be given an extra option for studying for a part-time MBA. Henley Management College, in conjunction with the Financial Training Company in London, will be offering a flexible MBA in the city from

later this year.
The format of the two-year programme will include one evening a week face-to-face tuition and distance learning using Lotus Notes, computer conferencing and videoconferencing. The programme will include an overseas study week. Hanley: www.henleymc.ac.uk

mation for News from Campus should be sent to Della Bradshaw, The Financial Times, One Southwark Bridge, London SE1 9HL Tel. 44 171 873 4673 Fax 44 171 873 3950

IT SEEMS LIKE **EVERY FAMOUS** HIGH TECH COMPANY HAS STARTED OUT IN A GARAGE. **OURS HAPPENS TO PARK** 24,983 CARS. Siemens Semiconductors has changed its name. SIEMENS

Siemens Semiconductors has changed its name. What does that mean? It means more great things are coming from the world's fastest growing semiconductor company. Increased customer focus. More ground-breaking, leading edge technology. And more clients winning in their markets. Not some time tomorrow or next week, but today. And one new company will be at the heart of it all: Infineon Technologies. WWW.INFINEON.COM

BIOTECHNOLOGY HYDROGELS

The soft gels that could spell the molecular future

Water-loving molecules could end up replacing conventional materials in both science and everyday life, writes Edwin Colver

vent and temperature.

claims of some material scientists are correct. Research into squishy materials called hydrogels, once closely associated with the development of soft contact lenses, is reaching far beyond its ophthalmic

From footwear to the food industry, the applications for Prof Graham explains. "It hydrogels are expanding. prompted by advances in the underlying gel chemistry. cal products." After two decades of research, scientists can now particular properties from scratch, which gives them versatility.

Hydrogels are made of long-chain hydrophilic or water-loving molecules that are interlinked to form a network. These networks attract water, causing the

system to swell. Some hydrogels have an enormous thirst for water, making them ideal in nappies and other absorbent materials. In agriculture, for example, hydrogels are placed in the ground to absorb rainfall. They slowly release the water to crops

But hydrogels are more than just synthetic sponges. "Hydrogels are smart systems. You can do all sorts of clever design tricks to produce functional gels. It's like engineering at a molecular level." says Neil Graham at Strathclyde University in

Hydrogels can also respond dramatically to changes in their environment. In the late 1970s Toyoishi Tanaka, an MIT professor and a leading expert on hydrogels, discovered that altering the conditions around a gel affected its properties. "A very tiny change in the environment can suddenly induce a gel to swell to more than 1000 times its volume. Swelling and shrinking are also reversible," he says. Over the years his lab has

softer future, if the changes in light and electrithe stomach into the cal currents as well as sol-

> So far, the main application for hydrogels has been in the medical field. One common gel - polyethylene oxide - is extremely biocompatible. "This makes it a marvellous material for many medical applications," has been used in wound dressings and pharmaceuti-

He helped develop a method that has been design hydrogels with licensed worldwide for the controlled release of a drug. A small lozenge-shaped piece of gel is loaded with the drug and placed appropriately in the body at the desired location.

When filled with water the gels are stable and remain in place for more than 24 hours, ensuring a slow and controlled release. "Drugs delivered in hydrogels are intrinsically safe," says Prof Graham. "There is no chance of an instant overdose as they can only diffuse out of the gel at a given,

Ordinary hydrogels swell very slowly, which is why they are useful for slow. long-term drug delivery. In many applications, however, fast-swelling hydrogels are necessary. For example, hydrogels for oral drug delivery need to swell quickly

We could be in for a enough to be triggered by before they are emptied from

intestine. Kinam Park, a researcher at Purdue University in the US, has developed fastswelling hydrogels. They contain capillary channels inside the dried material so that they expand rapidly in water. Regardless of the size, they swell in around a min-

You can do ali sorts of clever design tricks. It's like engineering at a molecular level'

super-porous properties could be very useful in various applications ranging from nappies to controlled oral drug delivery systems.

The exploitation of such smart gels is by no means limited to the medicine. The food industry is looking at temperature sensitive hydrogels that could be pre-packed as capsules in frozen foods. in the oven the gel would swell, breaking open the capsule to release fresh seasoning and flavourings.

Temperature sensitive gel is being used in golf shoes launched by Foot Joy, a US based golfing wear company.

The gel absorbs the heat from the foot and changes to a viscous solution as it gets warmer. This provides customised support by conforming to the unique shape of the wearer's

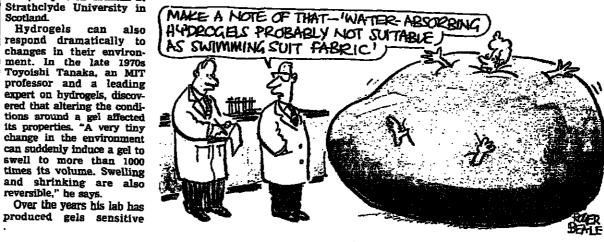
But the most important future applications of hydrogels could lie in medicine. A group in Japan has recently developed a gel that responds to glucose concentrations by imitating the behaviour of Langerhans cells, which produce insulin in the pancreas.

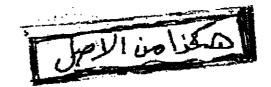
Incorporated into the gel structure is a natural protein that binds to glucose. When the glucose concentration is high it attaches itself to the protein. The gel expands and releases insulin into the blood. As the glucose level is lowered the gel contracts and prevents further hormone release.

Recent research also suggests that gels can potentially perform the same functions as proteins. This could be of immense significance because biologists have yet to find a way to design proteins from first principles.

Prof Tanaka believes these properties will enable scientists to design gels for such tasks as molecular recognition and chemical catalysis. "Because gels can mimic all aspects of life, they will affect all aspects of life too." he says.

"They could well replace many conventional





Hummingbird

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TORONTO ' **NEW YORK** On Thursday the Canadian Opera Company gives the world premiere of Randolph Peters's The Golden Ass based on an ancient table about a man for magic results in his transformation into a donkey. Richard Bradshav conducts, Colin Graham directs. The new work tuns in repertory ith II trovatore for the next two weeks at the

First seen in Oldham, Pam Gerns' musical Mariene is the latest British import to arrive on the New York stage. Starring Sian Phillips (left) and directed by Sean Mathias, it

opened at the Cort Theatre last night, The Signature Theatre Company concludes its John Guare season with a new play. Lake Hollywood. The cast is led by Ralph Waite and Kate Burton, and the first night is temetrow. Richard Strauss's

Intermezzo receives its New York, LONDON stage premiere at State Theater tomorrow, in a City Opera production conducted by George Manahan and directed by Leon Major, it will be sung in Andrew Porter's English translation, with Lauren Flanigan and John Hancock as the Storchs.

SHANGHAI Saturday marks two important premieres for western opera in Shanghal. It will be the first time foreign opera company has performed at the city's new Grand Theatre, and the first time a Wagner opera has been performed in China. The Deutsch Oper am Rhein is giving three performances of Der fliegeode Hollander in a production

conducted by Muhai Tang and

directed by David Welsh.

Although Vasily Kandinsky (1868-1944) was one of the most influential pairters of the 20th century, there has never been a substantial showing of his work in I andon until now. The Royal Academy's long-awaited.

exhibition consists of 140 works on paper (right) from every stage of Kandinsky's career, it opens on Wednesday and runs until July 4. The Leonard Bernstein musical Candide is the next venture of the National Theatre's new repertory company. Opening tomorrow in the Offvier Theatre, it is directed by Trevor Nunn and John Caird. Tennessee Williams's play Suddenly last Summer – best known on film, in two different versions - returns to the stage

this week. Sean Mathias directs

the new West End revival,



opening at the Cornedy Theatre. on Wednesday, Gerard Butter,

Shelta Gish and Rachel Welsz lead the cast. Sadler's Wells Theatre plays host to a Taiwanese contemporary dance troups, the Cloud Gate Dance Theatre. The

first performance is tomorrow.

FLORENCE The Maggio Musicale opens on Thursday at the Teatro Communate with Lev Dodin's controversial production of The

Queen of Spedes, Other

highlights of the Maggio include the Salzburg Easter festival production of Tristan und Isolds and a Ronconi staging of Monteverdi's Ulisse, :

MUNICH

There are three new operas at this year's Munich Biennale, ali exploring the pre-millennial thems of Time, Gottfried Pliz stages Babette Koblenz's Investigation on the substance of Time. Peter Mussbach has written the text for Mauricio Sotelo's About Love, and Ukrainlen composer Vladimir Temopolski brings a three actor, When Time Overflows, The opera performances, beginning at the Muffathalle on Friday, are accompanied by concerts, a symposium and a reading with Biennale founder Hans Werner

Globetrotting opera lovers who suspected that the phenomenon of a production shared between several theatres would mean a terrible uniformity from Vienna to New York are finding the reports of opera's stultification greatly exaggerated. There is a school of directors that responds to different audiences and each cast. David Leveaux, on record as saying he does not understand the mere "revival" label, has just rethought Salome for the English National Opera, tweaking if not tailoring his original production to the cast changes.

Centre.

Now Robert Carsen brings Handel's Semele to the Coliseum after success at the Aix Festival (1996) and Flemish Opera (1998). But London audiences need not expect a formulated facsimile of what pleased the French and Belgians. "A production's a living thing," Carsen explains.

The minute you take it off the shelf and open the book, the minute you put it on its feet, it's inevitably about making choices. Semele in modern clothes is different from Semele in 18th century costume. Often I've sat there at a first night thinking: 'Oh my God, that's what I should have done.' "

Carsen seems an unlikely proponent of serendipity as a working method. His speech is precise, his Canadian accent anglicised, both results of therapy for a childhood impediment. He has the North American mistrust of irony, responding. with startled nuzzlement to the occasional joke before conceding a smile. But the sleekly stylish, slightly surreal, production of Britten's Midsummer Night's Dream that also journeyed from Aix to London has shown that his humour is no less funny

for being deadpan. This is not ENO's first Semele. I remember a production nearly three decades ago, considered daring for portraying the jealous Juno. the goddess triumphantly disposing of a rival, putting her feet up with a bottle of champagne and getting drunk. Carsen's Semele has its own controversial elements. In 1996, the parallels between the dazzled mortal taken up by the gods and, naively ambitious, ruined by them, suggested feuds in the

British royal family. "We didn't consciously think of Semele as Princess Diana," Carsen protests. "Now you can't help but draw parallels and some people may. For the production team, it was simply a problem of how to present gods on stage. Man has always visualised gods in his



hen every look is fresh

Martin Hoyle meets Robert Carsen as he prepares for a new production of 'Semele' in London

Oberon and Tytania - they than the humans in the same works. It's pointless to drape Semele's Juno and Jupiter in togas. We're dealing with a culture of politics. codified, satirised, lampooned. There are no poor

people in Semele." One suspects Carsen keeps a sociological eye open on his travels. Of directing Zauberflöte at the Vienna Volksoper last February and returning to the Staatsoper for Die Frau ohne Schatten, he points out that they illuminate the Viennese psyche in different ways. San Francisco took the nude-look bodystockings in his production of Boito's Mefistofele without a qualm. Chicago demanded figleaves. Dallas complained they were too small, not realistic enough for Texan appendages. The production travels to New

York in November. In spite of a forthcoming Onegin for the Met, most of Carsen's work is in Europe. A Jenuja with Josephine Barstow is on the cards.

and Susan Graham, William Florissants. This prompts a director looks for in col-

"In opera the conductor can cause a division, drive a wedge, between stage and orchestra, or be an enabler. Bill [Christie] has one dangerous thing which I adore: a sense of creating an occasion, each performance unique to the people there. In rehearsal he often says: 'My God, that's going to be difficult - but don't change it!' You ouickly know if a conductor wants to work in the theatre or just line them up in front." Carsen praises ENO's Harry Bicket as

another theatre man. Patrick Kinmonth. Semele's designer, though Semele at the Royal Academy of Music 20 years ago." suggested Kinmonth as someone says they're not and comic - he quotes

own image: Wotan and Poulenc's Commelines face the designer for a Canadian happy in something - as dis- Polonius's categories of Pricka, Juno and Jupiter, guillotine at La Scala. Paris Opera Company Katya Kato-tinct from diva-ish behav- "tragical-comicalbeckons with more Handel: nova and they have since jour. It's all based on trust, historical-pastoral". It occurs prisoner who has only just character's many oblique are arguably more human Alcina with Renee Fleming worked on four or five pro- which doesn't happen imme- to me that this Canadian has ductions together. "With the diately ... Some singers are Christie conducting Les Arts lighting designer Jean Kal- not prepared to give till the European. He certainly has a murderer whose motives of one central family have, man, I've done dozens of reflection on what Carsen as shows since 1990. He'll do my Alcina and Hoffmann with me at the Bastille."

For all his flexibility, Carsen evidently has his pre-

There is a school

of directors that responds to different audiences

ferred colleagues. Rosemary Joshua sings the title role in Semele as she has in every revival of this production "I'd like to do it only with new to ENO, is another her. She'll try out anything trusted collaborator. "We and tell you right away if met after a production of she feels uncomfortable. You don't want people to do just what you say: it's a collabo-Out of the blue, Carsen ration I'm delighted when

dress rehearsal; some give everything at once and never develop. You need a rolling boil ... "

Carsen's own career is on

a gently rolling boil, kept from bubbling over by the odd seven-month sabbatical: he spent three weeks in Wuppertal helping in the Pina Bausch company's 25th anniversary celebrations ("I fetched people from the airport; staged a couple of events when they needed a hand ..."). "I try not to plan too far ahead: you can find yourself over-booked, especially if you do revivals." A straight theatre production for the Avignon Festival is all but agreed: Carsen will not identify it but it is an English play performed in French. Proud of being a Chevalier des arts et des lettres, he praises Semele's libretto (Congreve, plus Pope and others) for its "very

English" mixture of serious

pointed comparisons to make between certain gov-ernment subsidies. Top price for the stellar Alcina in Paris will be £50, paltry by London standards but even so considered too high by some Parisians. "And when you think of the national theatres, national operas, choreographic centres: Lyon, Gren-

oble, Montpellier, Tours...' The implications are clear. We agree that everyone says that Chris Smith, the UK culture secretary, is a nice man. I express alarm at his placing Dylan on the same level as Keats and wonder whether the next pronouncement will place late Beethoven quartets on a par with Oasis, Carsen looks surprised. "But they are," he says, owlishly solemn. "Haven't vou heard?" He is learning irony. But who can work in the arts in Britain without it?

Semele opens on April 19.

Evil within and without

THEATRE

ALASTAIR MACAULAY Roberto Zucco The Pit, Barbican, London

In the opening scene of Bernard-Marie Koltes's play how readily misogynistic the Roberto Zucco, one prison guard is moaning to another frustrated the women. that, because this is a modern prison from which ally ambiguous about its nobody ever escapes, they, the guards, "have no raison d'être". Then - thanks to tionable, morally repulsive, Martin Crimp's translation he embellishes the point: "No raison de fucking être." You laugh twice over: at the liberties he takes with franglais, and because this is originally a French play.

He goes on to speculate behaviour of people we know about what turns some men, and, indeed, of ourselves. such as those in this prison, into murderers, "Evil." says his colleague. But he goes on speculating, he has heard. for instance, that the murdering instinct is somehow connected to a man's penis. and he has therefore studied the prisoners in the showers. but to no avail. The murderers' penises are all shapes and sizes. Again, you laugh.

how much of the moral climate of the play has been introduced in this idle diaarrived and who shortly will go on puzzling us: they may respectively, English, Scotvery well come from some natural evil in him (we have no further cavils about watch him murder his mother without the least warning, and they may be linked obliquely to his sexual impulses (he seduces women as casually as he murders).

But he has streaks of kindness and of poetry too. He is an alien from society, but the society through which he passes is not so unlike him: it. too, has flashes of unprompted malice and violence, of insidious and/or flagrant and/or repressed sexuality. Sometimes it seems that he brings these things to the surface as he passes: that, like Don Juan, he is an agent of dark liberation in people's souls; that. like some perilous Father Christmas, he brings people their secret wishes - the loss of virginity in one case, the experience of appalling vio-

lence in another. Sometimes

it seems that only in his wake do people rise to little efforts of peculiar tenderness and sudden flights of poetic diction. He has no perceptible raison d'être, but neither does anybody else. When he is not around, one notices other men are - and how

Roberto Zucco is eventucharacters. At times, everybody on stage seems objecperverse; at others, one cares very strangely for several of the individuals. Paradox abounds - but it is one we sometimes feel in our own lives, about the (unmurderous, as a rule) motives and

l saw James Macdonald's Royal Shakespeare Company production when it was new in Stratford-upon-Avon last year, watching it again now that it has reached London, I find the play vet more interesting and disturbing.

Zubin Varla is not ideal casting for the title character - in his tense and heavybrowed mien and chubby waistline I do not recognise And you cannot yet realise the dark angel on to whose beguiling beauty the women of the play project so much of their own hearts - but he logue. For Roberto Zucco, a demonstrates perfectly the cracked what it is to be indeed escape from prison, is sure why the three siblings tish and Ulster accents, but I the staging.

Diana Kent as "an elegant lady" who still needs Roberto after he has shattered her life and Cathryn Bradshaw as the young epitome of spinsterly repression are particularly memorable.

The production has transferred well from the traverse corridor setting at The Other Place to the audience-onthree-sides square stage of the Pit. And Jeremy Herbert's set and Nigel Edwards's lighting achieve again an utterly extraordinary effect with light upon a ground of luminous paint: as if by magic, characters at the end of scenes leave their shadows behind them on the floor. The poetic meanings of this device alone could occupy one for pages.

Sponsored by Allied Domecq and the Laura Pels Foundation

INTERNATIONAL

* Arts Guide

AMSTERDAM

OPERA Netherlands Opera, Het Muziektheater Tel: 31-20-551 8911 Otello: by Verdi, Conducted by Carlo Rizzi in a staging by Klaus Michael Grüber, with a cast led by Vladimir Bogachov; Apr 13, 16

BERLIN DANCE Deutsche Oper Tel: 49-30-34384-01 Tokyo Ballet in the German premiere of Maurice Béjart's staging of The Nutoracker, Apr

14, 15, 16, 17, 18 **GENEVA** DANCE Bătiment des Forces Motrices Tel: 41-22-418 3000 Ballet du Grand Théâtre de Genève: La Bayadère. New staging by Etienne Frey, with designs by Gerald Poussin. With

the Orchestre de la Suissa

Romande conducted by Thomas

Rösner; Apr 12, 13, 15, 16, 17, 18

LONDON CONCERTS Barbican Centre Tel: 44-171-638 8891 www.barbican.org.uk London Symphony Orchestra: conducted by Michael Tilson Thomas in a program including works by Charles Ives, Carl Ruggles and Bruckner, Apr 15

Royal Festival Hall Tel: 44-171-960 4242 Academy of St. Martin in the Fields: Sir Neville Marriner celebrates his 75th birthday. The programme includes works by Mozart, Britten and Mendelssohn, Apr 14 London Philharmonic Orchestra: conducted by Leon Botstein in works by Wagner, Khachaturian, and Dvořák,

Apr 16 Philharmonia Orchestra: conducted by Christian Thielemann in works by Brahms and Schumann, with piano soloist Andreas Haefliger, Apr 17

EXHIBITION British Museum Tel: 44-171-636 1555 The Golden Sword: Stamford Raffles and the East. Display bringing together biographical material with objects collected by the self-taught scholar who is chiefly remembered as the founder of Singapore. Includes musical instruments, masks and shadow puppets collected by

Raffles when he was Lieutenant Governor of Java (1811-16), and plant and animal drawings; to

Royal Academy of Arts Tel: 44-171-300 8000 Monet in the 20th Century: arriving in London from Boston, this exhibition brings together late works by the founder of Impressionism: The 80 paintings on display include important public and private loans. culminating in a group of seven of the monumental water lily panels which were the triumph of his career. Also included are paintings of London and Venice: to Apr 18

OPERA English National Opera, London Coliseum Tel: 44-171-632 8300 Mefistofele: by Bolto. Conducted by Oliver von Dohnányi in a new staging by lan Judge; Apr 15, 17 Salome: by R. Strass. Conducted by David Atherton in a staging by David Leveaux, with Vivian Tierney in the title role; Apr 16

LOS ANGELES CONCERTS Music Center: Dorothy Chandler Pavilion Tel: 1-213-365 3500 www.laphil.org Los Angeles Philharmonic: conducted by Emmanuel Krivine in works by Fichard Strauss, with pieno soloist Martha Argerich; Apr 15, 16, 17, 18

EXHIBITION J. Paul Getty Museum Brassait The Eye of Paris. Retrospective comprising 140 works, which coincides with the 100th anniversary of the photographer's birth. Dubbed 'the eye of Paris' by Henry Miller, Brassai celebrated the city in

photographic series including

Paris by Night'. Originated in

Houston, the show will transfer

to Washington; from Apr 13 to ப்பர் 4 MUNICH CONCERTS Philharmonie Gastei Tel: 49-89-5481 8181 Munich Philharmonic Orchestra: conducted by Yakov Kreizberg in works by Schubert, Mozart and Shostakovich, With piano soloist Mitsuko Uchida;

Apr 13, 14

EXHIBITION Haus der Kunst Tel: 49-89-211270 Angelika Kauffman (1741-1807): retrospective of works by the Swiss decorative artist, who was founder member of London's Royal Academy. Includes paintings, drawings, prints and porcelain; to Apr 18

NEW YORK OPERA Metropolitan Opera, Lincoln Center Tel: 1-212-362 6000

www.metopera.org Susannah: by Floyd. James Conton conducts a new staging by Robert Falls, with a cast led by Renée Fleming and Samuel Ramey: Apr 13, 16 The Queen of Spades: by

Tchaikovsky. Conducted by Valery Gergiev in a revival of Elijah Moshinsky's staging, designed by Mark Thompson. The cast is led by Plácido Domingo, Galina Gorchakova and Olga Borodina; Apr 15

 Wozzeck: by Berg. James Levine conducts, with a cast including Hildegard Behrens and Franz Grundheber, Apr 17

New York City Opera, New York State Theater Tel: 1-212-870 5570 www.nycopera.com Intermezzo: by R, Strauss. New staging by Leon Major, with sets by Andrew Jackness and costumes by Martha Mann. Conducted by George Manahan: Apr 13, 16, 18

Madama Butterfly: by Puccini.

Conducted by Guido Johannes Rumstadt in a staging by Mark Lamos first seen in November, with sets by Michael Yeargan and costumes by Constance Hoffman; Apr 15, 17

PARIS OPERA Opéra National de Paris, Opéra Tel: 33-1-4473 1300 www.opera-de-paris.fr Lucia di Lammermoor: by Donizetti. Conducted by Bruno

Campanella in a staging by

Carsen, with designs by William

Andrei Serban and Robert

Dudley: Apr 14, 17 ROTTERDAM

to Jun 20

EXHIBITION Kunsthal Tel: 31-10-440 0300 Weeges: New York night life in the 1930s and 1940s is featured in the pictures of the American photographer whose subjects include musicians and strippers;

ST. LOUIS EXHIBITION St. Louis Art Museum Tel: 1-314-721 0072 Seckmann in Paris: previously seen in Zurich, this show explores the German artist's relationship to the city he settled in. Work by Beckmann is displayed alongside that of French contemporaries; to May 9

STOCKHOLM EXHIBITION Moderna Museet Tel: 46-8-5195 5200 www.modernamuseet.se Aleksandr Rodchenko (1891-1956): major retrospective of the Russian Constructivist. who was one of the leaders of

avant-garde; to May 24 TORONTO

OPERA Canadian Opera Company, **Hummingbird Centre** Tel: 1-416-363 6671 WWW.CCC.C8

the post-revolutionary

The Golden Ass: by Randolph Peters. World premiere. With a libretto by Robertson Davies, based on the ancient fable. The director is Colin Graham and the conductor is Richard Bradshaw: Apr 13, 15, 17

VIENNA CONCERTS

Musikverein Tel: 43-1-5058 6810 Vienna Radio Symphony Orchestra: conducted by Gerd Albrecht in works by Victor Ulimann and Erwin Schulhoff; Apr 16

TV AND RADIO WORLD SERVICE BBC World Service radio for Europe can be received in western Europe on medium wave

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22.00: World Business Today

 Business/Market Reports; 05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20;

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

Finally, by being a sepa-

in nations' way the tempta-

tion of speaking with forked

tongues - a temptation to

which they occasionally suc-

EU would remove these

problems and, therefore,

allow for more effective

action - provided the under-

standings painstakingly negotiated since 1991 to

allow the WEU to co-operate

smoothly with Nato. both

politically and militarily, are

transferred to the EU unscathed. Otherwise the

institutional reshuffle would

leave Europeans much

worse off. The rhetoric

might sound fine but in

practice their operational

ability would be sharply

All this is a far cry from

the preoccupations of Tony

Blair, the UK prime minis-

ter, when he relaunched the

European security debate

strong and decisive common

foreign and security policy

in the EU and he wanted

stronger European military

means. He was also open to

institutional changes but

including the WEU in the

cumb.

reduced.

Old soldiers never die

The Western European Union has outlived its usefulness. But Europeans still need a defence organisation of their own

Western European Union, not to praise it. An odd-job organisation often misused by this or that nation to complicate matters rather than simplify them, a minor institutional anomaly perched between the European Union and Nato, an irritant to those intent on building a coherent European security and defence architecture, the sooner we get rid of it the better. Or so the argument

Its demise will streamline the European security landscape, bringing the EU and Nato closer and shortening the step from decision to action in politico-military

Before doing away with the WEU, however, and in order to do so properly, it is worth considering where we are in European defence as well as how we got here. After the second world

war two strong international institutions grew in western Europe: one, Euro-American, dealing with defence and security, the other, purely European, dealing little by little with practically everything else.

The division of labour was neat and the fact that the membership of Europeans in the two institutions was marginally different (Ireland not in Nato, Iceland, Norway and Turkey not in the European communities) did not matter. When the Berlin Wall fell, the USSR imploded and democratic regimes sprang up in central and eastern Europe. Things

changed. First, the Soviet monolithic threat, demanding monolithic preparedness from our side, disappeared. Freed from the disciplines imposed by the east-west nuclear confrontation, local crises mushroomed, some of them concerning Europeans and North Americans alike (Bosnia, Kosovo), others where only Europeans decided to take action (Yugoslavia before Bosnia, Albania

come to bury the against external aggression remains a Euro-American task and is Nato's business; crisis management, however. may fall either to Nato or by Europeans alone, Europeans, therefore, must carry a growing share of the burden of their own security and defence.

Second, the process of European integration made great strides. The European communities became the EU, a single market and then a single currency were created, the need for a real foreign and security policy for the Union became urgent. Institutional steps in that

direction were taken or announced. The lack of military capabilities to back up such a policy was recognised in these formations as was the Europeans' commitment to provide for them in full coherence with, and without unnecessary duplication of. Nato's role and means.

Third, with the cold war divide gone, the EU and Nato embarked on enlargewidened the gap between their different memberships. Since 1995, the EU has taken in Austria. Finland and Sweden. Last month, Nato welcomed the Czech Republic, Hungary and Poland. As a result, four out of 15 EU Nato also decides by consenmembers are not in Nato sus and consensus is the and six out of 17 European rule in the Common Foreign allies are not in the EU.

Since the Maastricht EU. But the two big institu-Treaty of 1992, the WEU has tions carry a weight that forces capitals to take them been redesigned to straddle seriously, to deal with them that gap and allow all EU members and all European in a politically coherent way and to refrain, by and large, allies to participate in crisis from frivolous obstructionmanagement operations to which it will give political rate forum of overlapping tion. As things stand, the memberships, the WEU puts

control and strategic direc-WEU can receive directives from the European Council, where some European allies do not sit, and our military staff - made up of officers from only Nato countries can work unimpeded with Nato's military staff and with the Supreme Headquarters Allied Powers in Europe, Nato's military centre at Mons Belgium

Tough and lengthy political negotiations were needed to achieve this result but we have reached what the market bears. Over the past few vears a lot of work has been done with the EU with Nato and inside the WEU itself to allow the organisation to cope with the management of a crisis on behalf of the ment processes that have EU, using, if need be, Nato

assets and capabilities. What the WEU lacks is clout. For understandable historical reasons, it never impressed its members. This has nothing to do with its decision-making methods; and Security Policy of the

> these were secondary to his argument. Institutional changes, however, are easier, quicker and cheaper to undertake than the other two and, for the time being at least, it is in that direction that things are speeding up. As I hope to have made clear, there are advantages to be gained by integrating the WEU into the EU but if care is not taken, a lot of harm to European ambitions will come from it instead. It would be a shame if the good the WEU has done were to be interred with its bones.

> > The author is secretary-

LETTERS TO THE EDITOR

Trade provides important ladder out of poverty

Sir, Your leader "Avoiding a fruitless harvest" (April 8) is, at best, simplistic, and, at vorst, misleading.

The simple fact is that the EU's market access for under the Lome Convention

bananas, produced in the Caribbean, represents only 7 per cent of our imports. As ever, not the case that the you rightly argue, WTO EU is influenced by any rules demand compliance and the European Commission has, of course, adapted the regime in order to try to address the issues which had been raised by the complaint made by the US. It is also important to recognise that

bound to bonour.

driven by multinational producers of bananas. On Capitol Hill they have clearly been very susceptible to their lobbying. It is, howcomparable pressure. Why should it be incredible that we actually are concerned about the livelihoods of thousands of poor farmers? They would certainly suffer should Europe withdraw its

You call for the regime to

You are right to point out one which anyone, who has that US trade policy is being any kind of analysis of how to deliver effective develop-

From Mrs Glenys Kinnock we also have duties and be "dropped" and for direct mEP. responsibilities which we are aid to be substituted. This is, of course, the US line and ment cooperation, would reject. Equally, it is wrong to claim that attempts to diversify are not taking

> Trade provides a ladder out of poverty and under no circumstances should European countries, at this time. contemplate kicking that ladder away. Many of us will continue to condemn the threat of sanctions on industries totally unconnected with this dispute and I wel

come the DTI's moves to support our cashmere indusMANCIAL

We will also continue to work to ensure that when the detail of the current arbitration is analysed we can achieve an equitable outcome for our traditional banana suppliers. In my view, that analysis could reveal opportunities to do just that - perhaps to the chagrin of the US and indeed to Chiquita.

Glenys Kinnock MEP, South Wales East, European Parliament 13G214, Rue Wiertz. B1047 Brussels, Belgium

Deplorable reaction

From Mr Philip Tod. Sir. The negative reaction of the European Parliament's Socialist and Christian Democrat groups to Romano Prodi's plans to stand for the European Par-

isment is to be deplored. Surely the idea that a president designate should propose to submit himself to the test of electoral opinion should be welcomed.

In the scandal leading to the resignation of the Commission, the Parliament complained of commissioners' lack of political responsibility. What better way to encourage such a sense of accountability than to require them to be chosen from elected members of the

European Parliament? The tradition is that the executive is formed from elected representatives, even if they then have to resign before taking office. If Mr Prodi is prepared to do that, there should be no bar to his candidacy.

Philip Tod 53 Rue Faider. 1050 Brussels.

China aiming to set international trade rules

From Mr Vincent Wei-cheng

Sir, It will indeed be in everybody's interest, as President Clinton argues, "if China accepts the responsibilities that come with WTO membership".

But Clinton's assumption is currently a big "if" based more on hope than on reality. Rushing a bad deal on the occasion of the Chinese premier's visit is politically unwise and economically

detrimental. The fact is that China nations can only complain seeks to become a rulesetter, rather than simply a China, with its anticipated

rule-follower, in such international organisations as the WTO. China has led many developing nations in criticising the Bretton Woods system (the WTO, the International Monetary Fund, and the World Bank) – the global economic system created after the second world war according to the Anglo-American liberal ideology and supported by US

hegemonic power. The key difference is that while other smaller poor about the WTO's "injustice". according to

Pundits have often attributed China's obstinacy to its difficult transitions from a command economy to a market economy. But it is misguided to overlook this more fundamental reason for US-China wrangling over the

Vincent Wei-cheng Wang, assistant professor of political science, University of Richmond Richmond VA 23172, USA

Consumer protection remains important

From Ms Sheila McKechnie. Sir, I wonder whether Mr power and information. John Hall is in touch with the real world (Letters, April 6). Of course, the ombudsman must be fair and evenhanded, but it is simply bizarre to suggest that consumers do not need protec-

tion in the sophisticated

world of retail financial ser-

His letter presupposes that we have a balanced market onslaught of the industry director, place based on accurate against the new bill is Consumers' Association, information. The reality is regrettable. This industry 2 Marylebone Road, we have a complete imbal- has lost the confidence of London NW1 4DF

As chairman of one of the industry schemes, Mr Hall amply demonstrates the association's concern about the prevailing attitudes and bias of those running some

supported the new approach. The current orchestrated

ance in terms of market consumers and the most effective way of restoring it is to support the new regula-

tory regime. It is risible to put up an argument that the industry needs protection from exploitative consumers in of the existing redress the context of the recent schemes. This is one reason series of retail financial Consumers' Association has service scandals.

Sheila McKechnie.

nuv. which controls th

Fiat automotive group.

Although the Agnellis own

their holding companies, the

government has always sus-

When Olivetti announced

its plan to bid for Telecom

Italia in February, Mr Ber-

nabe came under pressure

not to go against the govern-

ment. However, after the ini-

tial shock of finding himself

tile bid backed by the gov-

ernment barely two months

after his appointment, he

the strings.

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Grand corporate drama

The bid for Telecom Italia is turning into a saga of operatic proportions. Paul Betts looks at the options open to Franco Bemabe, its chief executive

grand opera can match the saga that is unfolding over Telecom Italia.

But this weekend there were also moments of music hall farme as Telecom Italia shareholders, together with an army of bankers, lawyers and journalists, gathered on Saturday in Turin for what promised to be the showdown in Europe's biggest postwar takeover battle.

Telecom Italia had called a long-awaited shareholders meeting to approve its measures to fend off the €60.4bn (\$65.6bn) hostile bid from Olivetti, its much smaller Italian telecommunications rival. Under the country's new takeover rules, it needed to assemble at least a third of its voting capital.

On Friday, it said more than 33.5 per cent of voting shares had been registered. On Saturday morning, shareholders representing only 22.3 per cent of the voting capital showed up. A group holding about 5 per cent of votes was apparently waiting outside the hall but mysteriously failed to make it inside in time to register. After waiting 40 minutes, Berardino Libonati, Telecom Italia's chairman, announced

the meeting could not take

place. The company's board

went into a crisis huddle. Franco Bernabe, Telecom Italia's embattled chief executive, attempted to display his usual cool composure to a scrum of television cameras and paparazzi. He was not stepping down, the contest was by no means over, and he would continue to fight to "maximise the value of the company for its share-

Until Saturday's fiasco, Telecom Italia seemed to have the advantage over Olivetti. Institutional investors were concerned about Oliin cash, bonds and shares and the delay in filing its bid prospectus. Olivetti also giveable error" when it disclosed it had sold 24.4m Telecom Italia shares the very day it raised its offer from €10 to €11.5 a share. But Mr Bernabe always

knew it would be difficult to approved. This involved a stance. By remaining neu- Telecom Italia of the Aguelli will be a grand finale."

conversion of Telecom Italia non-voting shares into common voting stock, and start, Olivetti has benefited acquiring the 40 per cent minority stake the company stage, open backing of the did not hold in its Telecom italia Mobile cellular telephone subsidiary.

from Telecom Italia's frag- saying the government was mented shareholding struc- neutral. Salvatore Cardinale, ture. It has more than 1m communications minister, small investors and the group of core or friendly shareholders put in place at the time of its privatisation two years ago controls barely 7 per cent of the company. Italian institutions own about 12 per cent while the lion's share of about 37 per cent is held by US and British institutions. The Italian Treasury owns 3.4 per cent and a "golden share" nificant board decisions -

and the Bank of Italy has another 2.3 per cent. By the middle of last week Telecom Italia was confident it would assemble investors representing up to 40 per cent of its shares. But the fact they failed to turn up suggested, in the words of

did not like the savings

share conversion plan that

would dilute their stake. The

international institutions

preferred to sit back and

wait for a higher offer. And

Olivetti had also made it

clear it would withdraw its

bid if shareholders approved

Mr Bernabe's defence plan. Bankers close to Telecom

Italia yesterday claimed a

determining factor in the

low turnout was the govern-

the meeting. "Many Italian funds and small sharehold-

ers took the lead from the

government and stayed

There was anger yesterday

in the Telecom Italia camp

ome," one explained,

ment's decision not to attend

claimed senior Telecom Italia officials. From the from the tacit, and at one government. Massimo D'Alema, the prime minister. initially welcomed the bid but made a quick retraction, Part of his problem stems

> said on Friday: "Let the best offer win." The fact the government is seen to be taking sides in at the receiving end of a hosthis corporate fight appears to show that it wants to play its part in re-shaping Italian capitalism, which for too long has looked after the interests of a few powerful shareholders rather than the majority of investors.

The government has made giving it veto rights on sig- a public commitment to developing modern and open financial markets. But this commitment can only work if the government itself suppresses its own dirigiste instincts to control the process, as well as any rearguard action by the vested interests of the old system of crony capitalism. "It is all

economic system," said a

For the government, the

leading Italian industrialist.

attraction of the Olivetti

offer was that it provided an

"Italian solution" to resolve

the ill-conceived privatisa-

tion of one of the country's

ltalia, Olivetti, which has

experienced its own recovery

over the past two years,

would keep the privatised

group under Italian control

and at the same time show

the outside world that hos-

tile bids were possible in

The centre-left govern-ment also saw the Olivetti

By taking over Telecom

national champions.

'This is a live performance. Every act

is being written as the drama unfolds.

Who knows how it will end but

whatever it is, it will be a grand finale'

one Milan investment part of the growing pains of

banker, "they decided to transforming and moderni-vote with their feet". Many sing an archaic political and

decided to fight back. Rather than falling into line with the government's stance, Mr Bernabe decided to garner support from international investors with a plan to increase shareholder value. But his defence strategy has not worked so far.

He now has various options. He could sit back and see how the market reacts to Olivetti's offer when formally launched at the end of this month. But he is more likely to take action. He could resort to a "white knight", a company that rescues a takeover target from an unwanted bid-

There is talk that a company such as British Telecommunications, Deutsche Telekom, Telefonica of Spain or SBC of the US could come to the rescue. But the government is worried about the risk of a foreign takeover and is understood to be considering using its golden share to block such a move.

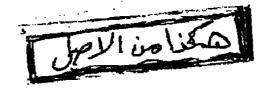
But should any white knight be a European telecoms group, the government risks colliding with Brussels at the same time as damaging the credibility of its commitment to open markets.

The situation change in Telecom Italia's favour if Olivetti itself became a takeover target. Saturday's fiasco in Turin

was only the latest act in a grand corporate drama that will shape Italian capitalism. "This is not a dress rehearsal but a live perfor-mance," said an Italian banker. "Every act is being written as the drama bid as an opportunity to unfolds. Who knows how it get his defence plan over the government's undermine the influence on will end but whatever it is, it

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COMMENT & ANALYSIS

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Monday April 12 1999

Zhu's best offer

Only two or three months ago it China to resist enforcement. would have taken a brave person to bet on the concessions now offered by China in its bid to join the World Trade Organisation. That China would slash tariffs on farm imports, open its telecommunications and insurance market and even allow foreigners to own and operate cinemas would have been simply unthinkable.

These and other striking concessions are testimony to the determination of Zhu Rongii, China's premier, to join the institu-tion. The US administration regards them as still not quite enough, but insofar as this reflects nervousness about Congressional reaction, there is a risk of losing a valuable prize.

China's tariff commitments are black and white. They can scarcely wriggle out of them. Moreover it has promised to bind lower tariffs in the WTO, which pocket. He may struggle to keep means they cannot be raised subsequently at whim. More uncertainty surrounds the commitment to open up service sectors and remove non-tariff barriers, for example by imposing commercial procurement criteria on

Opening up the distribution system, hitherto tightly controlled by the government, is also on paper a highly significant concession as it removes a serious be a natural temptation for may be lost for years to come.

Last year's plunge in commodity

tors driving down global infla-

the US and Europe to support

without risking domestic over-

partly a result of the recent

Organisation of Petroleum

Exporting Countries agreement

and partly because of reduced

levels of investment last year.

Already oil prices have risen by

nearly 30 per cent this year, from

The sudden turnaround from

falling to rising oil prices will

push up inflation significantly

this year. Goldman Sachs fore-

casts that a \$17 per barrel oil

price would raise Organisation

for Economic Co-operation and

Development consumer price

in 1999 and reduce output by 0.5

percentage points. JP Morgan cal-

rose 1.5 per cent in 1998, will

increase by 2.4 per cent this year.

upwards, particularly in the US

where labour markets are

Wage demands could edge

\$11 per harrel to more than \$14.

2 : Bette

There has always been a basic contradiction between China's

desire to join the WTO and its deep-seated rejection of "interference" in its internal affairs. For some Chinese, even after accession, this is what the WTO dispute settlement process will be. There will be widespread opposition to rulings imposed by an outside body in which the US has an important say.

Yet such worries would remain whatever the quality of China's accession offer. If there is ever to be a deal, the US must at some stage both accept China's good faith and recognise - as Europe has had to over bananas - that the WTO's dispute process does have some bite.

Delay carries considerable risks. Mr Zhu must now return home without a deal in his concessions on the table indefinitely. As the US presidential election looms ever closer, it may become harder to win Congressional support for a WTO deal.

Much now depends on the business community. If it recognises in China's offer a deal more valuable to US interests than it could previously have hoped for, it should be able to swing public opinion behind the idea. But business lobbies must act quickly obstacle to imports from mede- and decisively, or an opportunity cines to fertiliser. But there will to prise open China's markets

competition for manufactured

energy costs are more likely to be

producer is willing to go first.

Recovering global demand may

mean that prices at least stabilise

this year, although developments

in Latin America will be critical.

A further deterioration in Bra-

zil's economy would lead it to

export more, further driving

down prices of commodities such

But the long-term outlook for

most commodities is bleak. The

World Bank's recent report on

global commodity markets warns

that technological advances and

market liberalisation will keep

dominant in the world economy

year, together with a pick-up in

global growth as the year goes

on, will show that inflation is not

entirely dead. The balancing act

for policymakers is set to get

Deflationary forces are still

as coffee and sugar.

Also, what is happening to oil

tion, in the process making it goods mean companies do not

much easier for policymakers in have much pricing power. Higher

heating. But do recent rises in is far from typical of commodity

commodity prices - particularly markets in general. Many mar-that of oil - mean that the threat kets are plagued by over-supply, and, although there is talk of

the price of oil soaring. This is of formal cartels no individual

Supply cutbacks are sending reducing output, in the absence

growth by reducing interest rates absorbed than passed on.

from banking supervision. Commodities One consolation, though, is prices was one of the main fac- that low global demand and high

The likely contributory factors to such a crisis are not difficult bility for providing liquidity supto discern. For a start, the growth of pan-European lending, along with the prospect of more cross-border mergers, increases the scope for financial contagion. Some governments will be spurring their banks into geographic expansion, while encour-

Meanwhile, increased competi- the invariable consequence of market liberalisation. Systemic risk will increase accordingly.

Monetary Fund pointed out in its survey of international capital markets last September, the difficulty of downsizing and closing hanks in Europe's very inflexible labour market will mean that unprofitable banks may continue to operate while assuming greater risks.

William White of the Bank for International Settlements, the central bankers' bank, fears a collective weakening of all banks, with attendant risks of a systemic crisis.

Against that background it is disturbing, as the IMF study points out, that the ECB in Frankfurt has been given a mandate to focus almost exclusively on monetary policy, with only a limited, peripheral role in bank-

Crisis in the making With supra-national banks on the horizon, John Plender

warns that Europe's supervisors are not keeping pace

stages on the way to the development of supra-national champions. This raises hig questions for banking supervision. The most indelicate is: what happens when one of the new euro-behemoths runs into trouble? There is no clear answer. For the European Central Bank has no decisive legal mandate to act as a lender of last resort in a banking crisis. So, despite Emu, banking supervision is still handled at the national level. If banking history has one consistent message, it is that largescale changes in the structure and regulation of this highly leveraged industry are almost always followed by failures of

The combination of Europe's single market legislation and the single currency must count as one of the most potent deregulatory shocks ever imposed on a continental banking system. It is also unprecedented in that the task of managing the currency in the euro-zone has been divorced

banking supervision and finan-

cial crises. In particular, liberalis-

ity for exposing flaws in the

ation has an unremitting capac-

ince the launch of Euro-

In Italy two giants, San Paolo-

IMI and UniCredito Italiano, are proposing to merge with Banca di

Italiana respectively. In Spain the

big link-up is between Banco San-

tander and BCH, while in France

Banque Nationale de Paris is

stalking Société Générale and

Paribas, both of which would pre-

So far the merger wave has

been contained, for the most

part, within national borders. But

it is clear that some of the deals

are intended to be intermediate

fer a merger of their own.

pean economic and monetary union on January 1.

the pace of consolidation among the larger banks of the euro-zone has been breathtaking.

This, then, is a uniquely challenging environment for central bankers and governments. And history offers another alarming lesson - namely, that it takes a full-blown financial crisis to bludgeon politicians and central bankers into putting appropriate measures in place for crisis prevention and management.

aging further exposure to the - tion with moral hazard - the risk dangerously macho game of that the existence of a safety net global investment banking. tion will lead to a profits crunch

And as the International

ing supervision and no responsises were more readily controlled than in the US and UK. port to individual banks. There is Today, the culture of European

no central provider or co- finance is more transactional. ordinator of emergency liquidity fast-moving and liberal. The barriers between banking, securities This minimalism, which and insurance have become fluid. flexibility is moot.

Where crisis prevention is concerned, defenders of the minimalist approach argue that the separation of banking supervision from the central bank is hardly novel. Only two of the 11 participants in the euro-zone leave supervision in the hands of the central bank.

There are no obstacles in the European banking directives or the Maastricht Treaty to voluntary co-operation between banking supervisors. Mechanisms exist for bilateral and multilateral co-operation in the European Union, most notably in the Banking Supervision Committee on which the various national supervisory authorities are represented. At a less exalted level. supervisory officials on the so-called "Groupe de Contact" borrowing from the German discuss individual banking

model makes sense for Europe. In cases. As for the lack of apparent provision in the Maastricht Treaty for the ECB to act as a ership of banks and heavy regu- lender of last resort, the usual lation. As a result, financial cri- defence is that there is a need for He argues that "co-operation

"constructive ambiguity" to avoid moral hazard. Moreover. the textbook example of lastresort lending to solvent but illiquid banks rarely applies in the

modern world. With the notable exception of derives from the Maastricht So there will be a premium in the support offered to the Bank international bank based on their Treaty, reflects a deeply future, on flexibility. Whether of New York in 1985 to cope with territory. The outcome would be entrenched German preoccupa- the ECB will be capable of such a payments problem arising from a game of fiscal pass-the-parcel a computer breakdown, recent between the member states. financial crises have been con-

> 'Co-operation will allow a euro area

collective supervisor to act as effectively as

a single supervisor'

fined to insolvent institutions. Last-resort lending has, it is argued, become a form of bridging finance to stabilise conditions until taxpayers' money is to hand.

All these points are true. And there is provision in Article 105(6) of the Maastricht Treaty to entrust supervision to the ECB without amending the treaty. But according to Tommaso Padoa-Schioppa, a member of the ECB's executive board, there are other, more important, priorities.

among banking supervi-sors...will allow a sort of euro area collective supervisor to emerge that can act as effectively as if there were a single supervi-

But is this voluntaristic, evolu-tionary approach to the potentially explosive growth in European cross-border banking activity adequate when mergerhungry commercial bankers have the bit between their teeth? Multilateral supervision is, after all, the toughest of challenges - wit-ness the difficulties in handling BCCI, the fraudulent international bank that every half-awake watchdog could see coming.

In practice, the ECB is likely, in any banking crisis, to face a decision on whether to allow national central banks to provide liquidity to troubled institutions. Even assuming it does have legal powers to give the go-ahead, as Mr Padoa-Schioppa argues, the ECB would need immediate access to supervisory information to assess the credit risk involved and decide whether it was dealing with a liquidity or solvency problem. Yet the ECB will have to ask for national supervisory data to address Europe-wide systemic threats. It has no automatic or systematic flow of data.

As the IMF has pointed out, speed is a critical factor in the handling of financial and systemic crises. Is it plausible that this new and untried institution will prove adopt at crisis manage obviously invites fumbling ad hoc-ery, especially when the Maastricht Treaty is ambiguous on whether the role of lender of last resort is to be conducted at national or European level?

What is clear is that it will take very large bank fallures to pose a European systemic threat. And one factor in the present dash for growth by acquisition may be bank managements' desire to be perceived by markets as too big reach of predators and any accountability to shareholders.

At the same time Mr White has speculated that there could be problems with institutions that are "too big to save", where the cost to the taxpayer in smaller countries would be too daunting or inconsistent with the fiscal rules of Europe's Stability and

Growth Pact. Indeed, in the absence of political as well as monetary union home country governments could be reluctant to accept the full cost of rescuing a genuinely

Nor is it difficult to envisage circumstances in which a national financial crisis might escalate into a systemic crisis. In such matters, ambiguity is not

always constructive. It is impossible to predict the precise nature and timing of future hanking crises. But the moral hazard that arises from some banks being too big to fail, combined with the dramatic changes in the structure of European banking, guarantees a crisis

in the next decade. Mr Padoa-Schioppa is confident that multilateral banking supervision will develop to the point where Europe has a collective euro-zone supervisor and that such a supervisor could match the speed and effectiveness of a

national supervisor. If he is right - and many market practitioners doubt it - the question is whether Europe reaches that destination before or

after a crisis. History offers absolutely no cause for optimism on that score.

Too good to win

inflation by 0.6 percentage points prices depressed for decades.

culates that if oil prices rise to and a commodity price boom is

\$17.50 by the end of the year, the not on the cards. But oil price-

US consumer price index, which related increases in inflation this

How very good British Sky Broadcasting is at what it does.

This is the theme of the UK Comtably allow it greater influence ny's acquisition of Manchester United Football Club.

The nub of the commission's argument is that BSkyB has been so skilful in exploiting its rights ing popularity to obtain a veto to broadcast Premier League soccer it should not be allowed to own such an influential club.

The government - which has appeared keen to curry favour with Rupert Murdoch, BSkyB's ultimate controller - accepted these arguments. It is less clear that they apply to other bids by broadcasters for Premier League clubs. And the commission's subsidiary "good of football" arguments are even less plausible. That does not matter. The compe-

are strong enough. BSkyB has obtained a dominant position in pay-TV in large part through offering strong sports programmes - especially live Premier League football matches. It does an excellent job in broadcasting them and an even better job in heading off threats to this dominance. The ship. commission's report is littered with examples of smart commercial decisions - BSkyB's pricing of its three sports channels, its skilful undermining of a potential cable rival, its de facto control over access to Asira satellite analogue transponders - which reinforce the company's power. judged on their merits.

Company of the Compan

Acquiring British football's petition Commission report that over the rights to broadcast Prerecommends against the compa-mier League matches. At the least, it would have informational advantages. At the extreme, it might be able to use Manchester United's overwhelmover decisions it disliked. This would reinforce BSkyB's sports programming stranglehold, strengthening its dominance of pay-TV just as it is coming under

threat from digital technologies. The commission's arguments might not apply with the same force to the acquisition of weaker clubs; or to a purchase by a weaker broadcaster, such as the bid by NTL for Newcastle United, which is also to be scrutinised.

This is where the commission's tition arguments against the bid feeble "good of football" arguments are relevant. Much of the emotion over the BSkyB bid has been generated by dislike of the way soccer is changing. But once Britain's football clubs started down the path towards commercially-minded management, traditional football values were bound to change, regardless of owner-

The combination of BSkyB and Manchester United was, as the commission has demonstrated, undesirable. But its drawbacks are specific to that combination. No general threat to soccer has been shown and other football bids by broadcasters must be

Trading places down Mexico way

Manuel Robleda, president of the Mexican stock exchange, is up for re-election next week and there's plenty of gossip being traded about whether he'll get another term.

As the determined head of an often volatile bourse for the last seven years, Robleda, 50, has earned the grudging respect of his peers - but maybe made a few enemies - in his bid to overhaul the market and make it profitable. The bespectacled veteran broker pioneered the opening of the bourse to foreign investors, introduced new financial instruments and, for the first time in its 105-year history, has seen it pay dividends to capital-hungry shareholders.

Most recently, he put the dome-shaped exchange building up for sale, a move intended to help cut the cost of a share in the exchange - currently more expensive than Wall Street from \$3m to \$700,000, But perhaps his boldest move was the switch to electronic trading, even if some say he put the cart

before the horse. The costly system has repeatedly run into problems. halting trading for hours at a time. Even so, trading volumes are up dramatically since the beginning of the year. Robleda's next big campaign - if he gets the chance - is to forge an

alliance with other exchanges or even engineer a public listing. unlike his new bull. But critics claim he's remained true to his Mexican roots when it

OBSERVER

comes to top-down management, creaking bureaucracy and imitating levels of secrecy. Still time for him to open up a bit - if he wants another crack of the whip.

Chicago buli

in the event of a crisis.

The growth of

pan-European

lending increases

the scope for

financial contagion

would encourage imprudent

behaviour. The Bundesbank did

not, in the pre-euro world, have

explicit responsibility for the sta-

bility of the German financial

system. Nor did it have the

power to act as a lender of last

postwar Germany capital mar-

kets were under-developed and

there was widespread public own-

It is questionable whether this

Chicago didn't get where it is today without a little light meat-packing and wheatstacking. So it might seem entirely natural that Zhu Rongii, China's granite-faced premier, headed for a farm yesterday as the mid-west leg of his American visit got under way.

But, this being Chicago, the patch of bucotic bliss singled out for the honour wasn't that natural, Marellbar is a sorawling 865-acre property, but it's barely a cow's tail away from the suburban homes of the city's most moneyed traders and celebrities, it is owned by Tom Pritzker, whose family owns an array of industrial businesses and

the Hyatt hotel chain. in return for laying on a reception for the Chinese visitor. Pritzker and wife Margot were allowed to line up and present Premier Zhu with a 1,500lb genetically bred Angus buil. Pritzker, incidentally, last month opened what's claimed to be the world's highest hotel - in Shanghai. Zhu, no doubt, can

expect a room rate discount ~

Tulip mania

Spring has hit New York, the "boids are choloing" as they say in Brooklyn, and the flowers are out. Manhattanites have spotted that the flower beds at Park Avenue and 57th Street have sprouted 12-foot high red and white tulips, a new aluminium sculpture by artist Edwina Sandvs.

It's not the first time Sandys

has grappled with giganticism.

One 32-foot long piece of hers, "Breakthrough", is on display at Westminster College in Fulton, Missourl, where her grandfather, Winston Churchill, made his famous "iron Curtain" speech. Made from eight sections of the Berlin Wall, it has two human-shaped doorways through which the likes of Ronald Reagan, Margaret Thatcher and Mikhail Gorbachev have walked. As for those giant tulips - well, the place used to be called New Amsterdam.

Open book

It's good to know some German chemicals companies aren't afraid of revealing their past. BASF is celebrating the 50th anniversary of its re-establishment after the second world war by commissioning academics to write its history

The company was one of the three chemicals concerns merged into I.G. Farben in the 1920s - the other two being Hoechst and Bayer. Farben was dismantied by the Allies and a dozen of its top executives were jalled after the company built its own slave labour camp close to Auschwitz to help the Nazi war effort.

Raymond Stokes, a history lecturer at Glasgow University, is charged with covering the Farben era. It's the first time that BASF has given independent historians full access - and it's pledged not to vet the 600-page work," whatever they turn up.

Up and away

tt's thoughtful, it's aeronautically exciting - and it might just solve the Kosovo crisis. The transcendentally meditating Natural Law party wants to deploy 7,000 meditation and yogic-flying experts to war-tom Yugoslavia, John Hagelin, the party's US presidential hopeful. says his offer will reduce stress in the region and lead to peace. Let's hope the yogic flyers don't show up on rader.

Hot dog!

Democrats Abroad has sent UK members an early reminder: "4th of July picnic will take place on Sunday July 3rd Idon't get technical)." Not to nit-pick, but Sunday actually is the fourth.

Ginancial Times 100 years ago

The Kaiser In Palestine If the Kaiser's visit to Palestine

last autumn has not done much for Germany, it has at least been of some little benefit apparently to the Holy Land Itself. According to a report from

lerusalem, the German Emperor's tour "caused a stimulus to road-making and municipal improvements in general, and Jerusalem and Jaffa will benefit for some rears to come". What a comment on Turkish

misrule that it requires the spur of the Emperor William's pageant to induce the authorities to attend to the duty of making their country

50 years ago

U.S. Farm Subsidies New York, April 11. The most immediate point of importance in the proposed revolution in the farm subsidy programme by Mr. Brannan, Secretary for Agriculture, is the fact that for 1950, when they would go into effect, the proposed supports would be mostly above present support levels. Thus the Brannan support level for tobacco would be around 49 cents against the present 39.3

FINANCIAL TIMES

MONDAY APRIL 12 1999



THE LEX COLUMN

Opera buffa

What a date to be late for. Mysterious no-shows from investors meant Telecom Italia could not hold a key vote on its defence plan against hostile bidder, Olivetti. This is an excruciating put-down for Franco Bernabe. Telecom Italia's chief executive, and strengthens Olivetti's position. What happens next depends partly on why investors stayed away.

Some may have chosen not to vote because they prefer Olivetti's offer although one might then have expected them to vote against Telecom Italia. Some may have been confused by new regulations governing votes in takeover situations. Others may have wanted to keep Telecom Italia in play for longer, without necessarily endorsing Olivetti.

What can Telecom Italia do? It could beef up its industrial plan, especially its cost-cutting targets, and trust that investors will shy away from Olivetti's offer when it is formally tabled. Another option would be a deal with an international rival prepared to outbid Olivetti. None has emerged yet. But that is not surprising since any counterbidder was unlikely to move until Telecom Italia had gauged the support of its investors.

The Italian government may object to international interlopers, but if it did, it would risk a confrontation with Brussels. A stand-off between the Italian government and the European Commission - led by Romano Prodi, former Italian prime minister - would be an appropriately dramatic finale to this corporate drama.

Spring brings flowers, sunshine and, these days, Compaq profit warnings. Just like last year, the group has made a mess both of its own results and market expectations: first-quarter earnings will be less than half analysts' estimates. Weak demand, lower prices and an unfavourable sales mix are to blame.

Logically, if the world's biggest personal computer maker is in trouble, so is the whole industry. There is some evidence

IBM's PC division lost \$1bn last year and smaller rival Micron Electronics also warned recently. Average PC retail prices in the US are now down to \$900. And with

more prolonged periods of rain, it will also become noticeably colde vith wintry showers over the hills. changeable with sunny spells and heavy thundery showers, although southern parts of Spain and Portugal should stay fine until

3000

Bercelor Beling Belfast Belgradi Bernind Bogota Bombay Bruseeb Budaper C.hagen

Share orices relative to Comit Index

less vital to upgrade machines regularly. Against that, Dell Computer proclaimed last week that it still expects the PC industry to grow 15 per cent this year and its own sales by a multiple of that. Meanwhile Microsoft, whose software is installed on most of the world's computers, has seen no unusual slowdown in shipments.

So what is really going on? Most likely, underlying demand is still relatively healthy, but the direct sellers like Dell and Gateway are continuing to take share from traditional vendors. On top of that, Compaq itself seems to have built up too much inventory. If that is the case, its already-battered stock, as well as Hewlett-Packard's and IBM's, should come under

But there seems little reason for a general market meltdown.

Defence stocks

It may seem a little macabre to look for beneficiaries of the Kosovo conflict, but then the stock market is not sentimental. Since Nato started its bombing raids on March 24, shares in British Aerospace and Smiths industries have climbed nearly 9 per cent, while GKN is up 8 per cent and Raytheon by 7 per cent.

There is cold-blooded logic in this. Jane's, a military research group, estimates that Nato has spent close to \$1bn in less than three weeks, most of it on armaments and fuel. The US, for example, has the rise of the internet, bandwidth mat-fired off over 150 cruise missiles, made by ters more than processor power, making it Lockheed and Boeing at a cost of \$1.3m

each, as well as losing a \$35m stealth fighter, also built by Lockheed. Matra's missiles and Raytheon's laser-guided bombs have also been in action, while the heavy use of warplanes should benefit BAe. Rolls-Royce and the big US defence groups that service them and supply spare parts. Further out, there may be a war dividend" if countries reassess their military needs in light of the conflict.

Speculation that Nato will be forced to send in ground troops equipped with fighting vehicles and helicopters has helped buoy GKN, which manufactures both. But if that turns out to be the case. the stock market may have other worries than picking winners among the defence

French banks

Things are turning ugly in the threeway bid battle between France's largest quoted banks. Banque Nationale de Paris is demanding the French Bourse investigate "inexplicable" movements in its share price since the announcement last month of its offers for Sociéte Générale and Paribas.

Because the bids are denominated in shares, BNP fears any interference could undermine their value. SG, which is attempting to fend off BNP and merge with Paribas, is also uneasy about erratic stock price movements.

Whatever the truth of these claims, they point to the need for reform of French takeover practice.

One reason for BNP's complaint is that SG and Paribas have dealt heavily in its stock. On March 31, for instance, SG and Paribas accounted for a third of all trade. The rules allow this. These prohibit the initiator of a bid from dealing in its target's shares, but allow the latter to buy and sell the bidder's stock - if only to hedge existing positions, not build new ones. So Paribas - the recipient of two share offers - can trade in both

None of this would matter if such dealings were disclosed quickly to the market. Then investors could discount their effect. This, however, is not the case. For instance, the dealings on March 31 were only revealed to the market on April 6. Both SG and BNP are right to fear a

false market as things stand

Banks join forces to offer online trading guarantees

Global venture should encourage large-scale electronic commerce

By George Graham and Christopher Brown-Humes in London

International banks are preparing to offer financial guarantees for companies trading over the internet, in an initiative that should encourage large-scale electronic commerce.

A group of banks including ABN Amro of the Netherlands, Barclays Bank in the UK, Deutsche Bank in Germany and Chase Manhattan and Citibank in the US has formed a joint venture, Identrus, to complete the project. The group, based in New York, is

in negotiations to add Canadian Imperial Bank of Commerce and Sanwa Bank of Japan, giving it a broader geographical spread. ldentrus would provide a business with an assurance about the identi-

with over the internet. This could be backed up by a financial guarantee from one of Identrus's members.

ties of companies it planned to trade

Visa, the international card payments group, has found that even

though internet transactions account for less than 1 per cent of its EU turnover, they give rise to 47 per cent of its disputes and

Business-to-business e-commerce is set to grow from about \$15bn a year to \$1,300bn in the US alone by 2003, according to forecasts from Forrester Research, the technology research group.

But Guy Tallent, president and chief executive of Identrus, said businesses needed to know they could rely on their trading partners before e-commerce could fulfil these hopes. "Unless you have an electronic identity and the ability to identity, e-commerce can't take place," he said.

Identrus depends on tested international contract law and therefore hopes to avoid some of the legal uncertainties that have plagued internet business. Tests are now starting between member banks with the aim of being fully opera-

Identrus, which is also backed by Bank of America, Bankers Trust and Hypo Vereinsbank, was initially formed by CertCo, a technology company specialising in electronic security.

However, CertCo has now dropped out of the joint venture and will become a technology supplier competing on equal terms with other companies. John Herron, CertCo's chief executive, said: "We believe that the long-term success of Identrus depends on having a platform open to a wide range of leading tech-

nology providers." Analysts said the Identrus venture had the potential to allow the trust the holder and signer of that internet to be used for much larger transactions, but remained cautious about how soon its effects would be felt. "Considering the scale of the enterprise they are undertaking, it's going to be still some time before we can assess the impact," said Scott Smith of Current Analysis, a Virginia-based research company.

Visa concern at net traud, Page 4

India risks world criticism by test-firing a ballistic missile

By Arny Louise Kazmin in New Delhi

India's fragile coalition government test-fired a medium range ballistic missile yesterday in what its prime minister described as "a purely defensive step'

Atal Behari Vajpayee said his government had informed neighbouring Pakistan and the "major powers" in nuclear warhead to a target at least 2.000km away.

George Fernandes, India's defence minister, said the successful launch had brought India to a point where "nobody from anywhere can dare to threaten us". Analysts say the Agni II is intended primarily as a deterrent to potential threats from China. There was no immediate response from Beijing but other world powers

criticised the test-firing. They have been urging India to exercise restraint in order to ease regional tensions. The UK, US and Japan regretted India's decision.

minister, said: "Since they have gone ahead, we would probably have to respond, but we will make a decision in a day or two."

India's defence community has which means fire in Hindi - for months, saying a missile capable of reaching China's heartland was critithe Agni II, which can deliver a Karnad, a professor of national security at New Delhi's Centre for Policy Research, said the tests were "ultimately unavoidable" after India's nuclear tests in May last year.

Brahma Chellaney, another professor of security studies at the centre. said the Agni II "plugs the last missing link in India's deterrent plans". An Agni with a range of about 1,000km was tested five years ago. but testing was suspended, apparently in response to US concern about a south Asian arms race. Though the upgraded Agni missile

was ready for testing several months

ago, the government repeatedly post-

Sartaj Aziz, Pakistan's foreign poned the launch, prompting criticism from strategic policy experts.

The test comes at a time when Jayalalitha Jayaram, ally of the Bharativa Janata party-led government, is threatening to withdraw the been calling for tests of the Agni - support of her AIADMK party. Although the government denied domestic politics influenced the decision, analysts said the test could advance of the decision to launch cal to any credible deterrent. Bharat help rally support from smaller parties if the 18 AIADMK parliamentarians carried out their leader's threat. Subhash Agrawal, a political risk forecaster, said the test had "come at

a very convenient time for the BJP". The Agni was launched from an island off the eastern coast of India. Mr Chellaney did not think the tests would upset the dialogue between Jaswant Singh, India's foreign minister, and US Deputy Secretary of State Strobe Talbott. They have been negotiating the lifting of

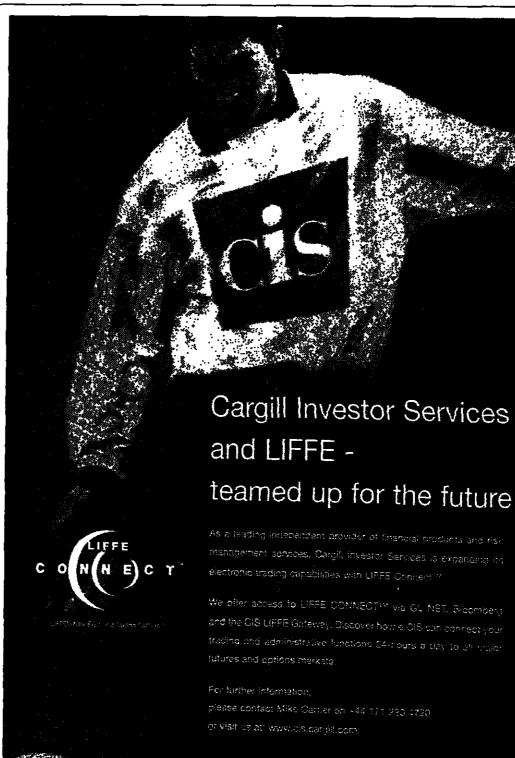
US economic sanctions, imposed on

India after the May nuclear tests,

and India's accession to the Compre-

hensive Test Ban Treaty.

Parent to be provided

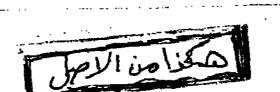


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CARGILL INVESTOR SERVICES

CONTENTS







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FINANCIAL TIMES

COMPANIES & MARKETS

MONDAY APRIL 12 1999

Mees Pierson ICS Limited on target, on time



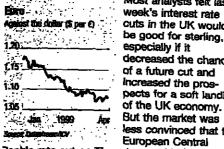
INSIDE

atAm bourses explore regional tie-up

atin American stock markets, which are nampered by tiny volumes, are considering the dea of a regional alliance, spurred by a continent-wide rally that has seen share prices ebound after months of uncertainty. Page 22

Company results in China mixed Zhu Rongji, the Chinese prime minister has said he nation's economic growth in 1999 will outstrip last year's 7.8 per cent, but corporate figires present a more mixed picture. Page 24

ECB rate cuts fails to lift weak euro Most analysts felt last



cuts in the UK would be good for sterling, especially if it decreased the chances of a future cut and increased the prospects for a soft landing of the UK economy. But the market was less convinced that the European Central

Bank's rate cut on Thursday would lift the euro, which continued to perform shakity in the aftermath of the reduction. Currencies, Page 26

infosys Technologies doubles profits infosys Technologies, which last month became the first Indian software firm to list on the US Vasdag exchange, posted net profits of Rs1.35bn (\$19.7m), up from Rs603m. Page 21

Cost-cutting fails to lift Pioneer Pioneer, the Japanese electronics group, has

struggled to meet its financial targets, despite an aggressive cost-cutting programme. Operatng profits in the third quarter, ending in Decemper, tumbled 18 per cent year on year to Y3.7bn (\$30.6m) on sales of Y147bn. Page 24

Mexico boosted by electronic trade An aimost unprecedented raily has pushed Viexico to the top of world markets in terms of profitability, gaining 35 per cent in dollar terms since the beginning of the year. The rise stems rom the exchange going electronic, which has made it efficient and virtually unlimited. Page 23

BNP complains of banks' unfairness Banque Nationale de Paris, the French bank bidding for its rivals Société Générale and Paricas, is to complain to regulators about the "unfair" behaviour of its targets, after a dispute resulting in accusations that each side was manipulating the others' share prices. Page 22

Jefferson Smurfit profits set to rise Jefferson Smurfit, the international paper and packaging group, is expected to produce pre-1£150m last year, but results may be affected by last year's tunnoil in Asian markets. Page 25

UK engineering's global growth UK engineering companies sperit \$7.08bn on international acquisitions in 1998, compared with \$3.91bn the year before, as they sought to grow more global despite the strong pound and difficult worldwide economy. Page 20

FT GUIDE TO THE WEEK

– full listings Page 36

WTO RULES ON BANANA DISPUTE Today, the World Trade Organisation will rule on the dispute between the European Union and the US over favourable terms for Caribbean bename growers. The US has imposed 100 per cent import duties on some EU goods. N IRELAND PEACE TALKS RESUME

On Tuesday, the Northern Ireland peace talks, aimed at establishing a joint ruling executive, resume after being adjourned on April 1 to allow a "short pause for reflection" over the issue of decommissioning terrorist arms.
RUSSIAN PM MEETS WITH WORLD BANK

James Wolfensohn, president of the World Bank, will on Wednesday meet with Yevgeny Primakov, the Russian prime minister, as well as government officials and business leaders.

COMPANIES IN THIS ISSUE

Ago	18	Kokusai Kogyo	1
BNP	18,22	Kookmin Bank	1
	19	Korea Exchange Bank	6 1
BP Amoco		Korea First Bank	1
Banco Mendoca	22	Korea Long-Term CB	. 1
Brierley investments	22	LTCB	.1
Commerzbank	19	Newbridge Capital	1
Compeq	1,18,21	Nike	
Credit Suisse	21	Nippon Credit Bank	1
		Nutri/System	. 1
Daehan	23	Olivetti	1,1
Fannie Mae	19	Paribas	18,2
Goldman Sachs	19	SeoufBank	1
Grupo Serfin	23	Société Générale	18,2
	40	Strator Facom	2
HJ Heinz	13	Supercom	2
HSBC Holdings	19	Telecom Italia	1,1
Infosys	21	Weight Watchers Int	1
		Visa	· ·
Jedny Craig	,	· 400	٠ _

19 Xoom.com

MARKET STATISTICS	
Married Marrie	26
Design Principal Lines	25
or London share service 2	8,29
CONTRACTOR COMP	0-32
NAMES OF PERSONS ASSESSED.	26
FISSP A World Indices 33 Money granus	25
	35
FT Ende in correctes 24 Stock markets at a glance	

Kokumin Bank declared insolvent

Japan's Kokumin Bank yesterday became the first regional bank to be declared insolvent by the Financial Reconstruction Committee, the banking regulator, since financial reform legislation was passed to deal with the coun-

try's banking crisis. Kokumin's failure is an ominous sign that Japan's banking woes are far from over, despite the injection of Y7.450bn (\$62.1bn) of public lar fate. Further failures would funds into 15 leading banks

The announcement on Kokumin came after the Tokyobased second-tier regional Y7,450bn capital injection,

HJ Heinz has received

expressions of interest in its

Weight Watchers International

slimming classes business

from more than 20 potential

buyers, according to people

The level of interest suggests

that the international food

group may reap as much as

\$700m from the disposal, at the

top end of analysts' expecta-

bidders are pharmaceutical

companies eager to access the

4.5 million people on Weight

Watchers programmes, direct-

selling companies such as

Amway or Avon, and educa-

tional companies. Several

financial buyers have also

been attracted by the busi-

ness's strong cashflow and low

capital investment needs.

Among those seen as serious

familiar with the auction.

tions of \$500m-\$700m.

Failure signals woes in this Japanese sector are not over since it will be responsible for

bank admitted that it might be unable to repay depositors after unsuccessful attempts to boost its capital base. It is understood that the Financial Supervisory Agency, another banking watchdog, had also reached the conclusion that the unlisted Kokumin had a capital deficit of about Y50bp.

industry observers now fear other banks will suffer a simiput additional pressure on the Deposit Insurance Corporation, which has just finished raising the funds for the

burg Dillon Read, the invest-

ment bank, to handle the sale

of its global slimming busi-

ness, which is based in Long

A sales memorandum sent to

host of trade and financial

bidders states that the busi-

ness had revenues of \$425m in

It adds that sales are fore-

cast to rise to \$600m in 1998.

reinforcing recent comments

from Heinz that the business is

ness has also improved in the

past year, thanks to the divi-

sion's 1-2-3-Success slimming

programme and a successful

promotional campaign featur-

Nutri/System, enjoyed strong

growth until the early 1990s,

when a combination of un-

favourable research, disease

Heinz has appointed War- scares and regulatory investi- from 2002.

Weight Watchers, like rivals

ing the Duchess of York.

The profitability of the busi-

the year to April 1998.

emoying a comeback.

Island, New York.

Heinz could raise \$700m

capitalising failed banks if buyers are not found within a year. Last year, Nippon Credit Bank and Long-Term Credit Bank, two large institutions, were forcibly nationalised after being declared insolvent. However, government officials implied that this option would not be applicable to smaller

Kokumin will be placed under the control of government-appointed administrators while a private buyer is sought. If one is not found within a year, the government

among the potential bidders.

of more than \$500m.

Heinz said.

will turn Kokumin into a bridge bank under financial legislation passed last October. The so-called bridge bank scheme has so far not been applied.

Yukio Okonogi, Kokumin president, yesterday apologised for the bank's failure. The bank had appealed to Kokusai Kogyo, its main shareholder and an unlisted transport and leisure group, for help. But Kokusai had been reluctant to provide additional

Mr Okonogi said: "Recent reports fregarding Kokumin's about Y520bn in deposits.

to a rapid deterioration in trust from both our business partners and the market." He also said there had been a run on the bank's deposits as depositors lost faith in the bank.

The bank's deposits will now be protected by the government and its bad loans transferred to the state-run Resoluand Collection Corporation. Meanwhile, the Bank of Japan will contribute funds to guarantee Kokumin's operations.

Kokumin, established in 1953, has 38 domestic branches, 745 employees and



Goldman to buy majority stake in Kookmin

savings of more than \$200m

By John Buston in Secri

Goldman Sachs, the US investment bank, is expected holder in Kookmin Bank, one of South Korea's biggest and healthiest banks.

Goldman Sachs will pay \$500m for a stake of about 20 per cent. The deal is the latest in Korean banks following the bonds would later be swapped country's financial crisis last for stock, priced at Won14,200 year. Four of Korea's six big-each, according to Kookmin.

gest banks now have substantial overseas ownership.

Kookmin, which specialises in retail banking, is Korea's to sign a memorandum of second-biggest bank with understanding today to assets of Won87,000bn (\$71bn) become the biggest share- and a market value of Wom3.900bn. Goldman Sachs Capital Part-

ners, an investment fund affili-The understanding is that ated with the Goldman Sachs group, will acquire \$300m of new Kookmin shares for Won12,000 per share and \$200m in convertible bonds. The

Friday rose sharply to Won16,400, up Won2,100, as exchange.

last year to recapitalise them after they suffered losses from bad corporate loans.

Germany's Commerzbank has acquired nearly a third of Korea Exchange Bank, HSBC Holdings recently agreed to buy 70 per cent of SeoulBank, and a US financial consortium led by Newbridge Capital is adequacy ratio stood at 10.09

Rookmin's share price on planning to acquire 51 per cent of Korea First Bank.

Unlike the other banks circulated in the Seoul stock is one of Korea's financially strongest. since its emphasis Korea allowed foreign on retail banking has limited investment in domestic banks its lending exposure to the troubled corporate sector. Lending to this sector accounts for only 17 per cent of its total loans.

It was one of the few Korean banks last year to report net profits, at Won73.4bn, although this was a fall of 30 per cent from 1997 results. Its capital

per cent at the end of 1998. higher than the required ratio of 8 per cent set by the Bank rumours of the impending deal bought by foreigners, Kookmin for International Settlements.

Kookmin was a former stateowned bank that was privatised in 1994. It is seeking new capital after agreeing to a state-sponsored merger to take over Korea Long-Term Credit Bank. Korea Long-Term posted a loss of Won256bn last year. The government still has an 8.2 per cent stake in Kookmin. The deal follows a visit to Seoul last month by Jon Corzine, Goldman Sachs chairman.

Goldman names its first outside directors

By Tracy Corrigan in New York

Sir John Browne, chief executive of BP Amoco, and James Johnson, former head of Fannie Mae, the US mortgage giant, will today be named as the first outside directors of Goldman Sachs, the Wall Street investment bank.

The appointments will be made when Goldman becomes a public company following its initial public offering.

Goldman will name the two in its final prospectus, to be issued today. As a partnership it has not previously had a board of directors. It has already named five internal directors and has said it will name a total of three outside directors to the new board.

The appointment of Sir John cements close ties between BP Amoco and Goldman. Peter Sutherland, BP Amoco's cochairman, is head of Goldman's European business.

Sir John sits on the boards of DaimlerChrysler, Intel and SmithKline Beecham, but is expected to give up one of these positions when he takes the Goldman seat.

Mr Johnson is a former Lehman Brothers banker who recently handed over the reins at Fannie Mae but remains on its board. His other board positions include Cummins Engines.

The prospectus will also contain pro-forma first-quarter earnings, reconstituting Goldman's first-quarter results as if it were a public company.

It will also disclose the distribution of shares to the firm's five senior officers. Hank Paulson, Robert Hurst, John Thain, John Thornton and David Vinjar.

lic company, ending 130 years of partnership, at the start of May, when the IPO is due to be priced, according to people

close to the transaction. Following the run-up in financial stocks since the draft prospectus was issued last month, the indicated price range for the IPO is expected to be raised from \$40-50 to \$45-55 in the final prospectus, which is likely to push the valuation of the whole firm over

The IPO of 10-15 per cent of the stock would then be valued between \$2.5 and \$4bn.



PAUL ABRAHAMS **GLOBAL INVESTOR**

Shaking up is hard to do

Few would have predicted that during the first quarter Japan's Nikkei 225 would prove the best-performing benchmark index in the group of seven leading industrial countries.

It is now tickling the 17,000 level, a gain of 30 per cent since the dark days of October when it sank as low as 12,879. Nor is this merely a distortion of the Nikkei 225's curious composition - the Topix index is up 19 per cent since the start of the year, and 27 per cent since its October low. None of this has anything to

do with the underlying economy, which has just shrunk for the fifth consecutive quarter. The government insists gross domestic product will expand this fiscal year by 0.5 per cent, but most private economists are predicting continued. contraction and in recent weeks have even been cutting forecasts further.

Despite the gloomy economic fundamentals, foreigners have provided most of the recovery's momentum. The motivation has partly been fear. Most institutional investors remain underweight in the world's second largest economy. There is an understandable anxiety that at some point, the country must start to improve, presenting a buying opportunity of a generation they do not want to

But the main factor for the rally has been risutoru restructuring. The sheer number of recent shake up announcements has been

impressive - in March alone there were 129, according to the Tokyo Stock Exchange. Such cost cutting is urgently needed. Japanese companies, with few exceptions, have

woefully misallocated capital and labour. The announcements have included staff cuts, reductions in capital spending, retiring excess capacity, undertakings to allocate capital more rationally, and disposing of non-core businesses. If such

promises are kept, this process could herald a fundamental change in the way Japanese companies are run. Not least. it could mark a shift in management emphasis from stakeholders to shareholders and an end to the corporate welfare state that has kept Japanese workers so protected for so long.

.The problem is that ment's promises may not be kept. After all, we have been here before. Between 1994 and 1995, when the yen hit its all time highs against the dollar, many Japanese companies announced large restructuring programmes. Yet sales, general and administrative expenses as a

proportion of sales, actually

rose during that period. However, a sea-change does appear to be occurring in Japanese business. True, it is happening faster in some companies than others. But the pressure appears unrelenting. Profits continue to collapse - nearly a quarter of first section companies will post net losses this year.

Further restructuring may

be inevitable, but that does not mean the market represents good value. The market has already priced in most of the benefits from risutora. Goldman Sachs believes that the return on equity of the

Nikkei 225 constituents could recover from its current meagre 1.4 per cent to as high as 7 per cent if management delivers on its promises. But the broker concludes that the market had fully discounted this improvement at 16,000. A further problem is that while cost-cutting is desirable

for individual companies, the

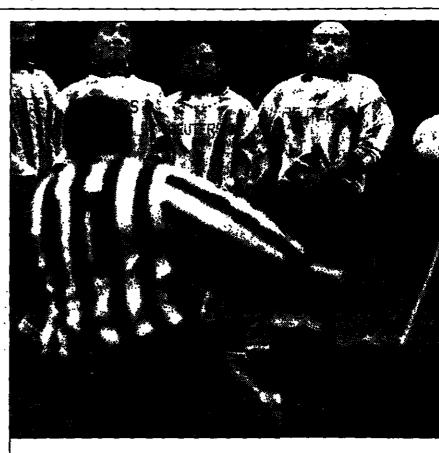
cumulative effect is likely to be devastating for the economy as a whole. Capital spending is set to fall sharply allocate their resources more wisely. Staffing is likely to drop, which, combined with cuts in overtime and bonuses, will hit take home pay and, ultimately, consum spending. Risutora is likely to condemn Japan to a lingering

the millennium. That may be necessary for Japan's eventual recovery. The worst outcome would be that companies unveil restructuring programmes but

recession for the remainder of

then fail to carry them through. The effect would be to undermine consumer confidence further - fear of unemployment being a bigger contributor to weak demand than unemployment itself while failing to improve profitability.

That would be truly Paul Abrahams@ft.com



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COMMENT

UK engineering seeks to grow globally

UK engineering companies last year spent almost twice as much on international neering groups being taken acquisitions as the year over by foreign-owned combefore, as they sought to panies, while the figure grow more global in spite of spent worldwide on all crossthe squeeze on profits result- border engineering mergers ing from the strong pound and acquisitions rose 82 per and difficult economy world- cent to \$78.16bn.

neers spent \$7.08bn (£4.39bn) the pressures forcing consol-

pared to \$3.91bn the previous year. There was also a marked increase in UK engi-

The figures underline that According to the KPMG the worldwide engineering accountancy group, UK engi- sector is not immune from

on such deals in 1998, com- idation in other industries a deal worth \$1.36bn. and including financial services and telecommunications.

The most popular targets for British buyers abroad were electrical and electronic engineering busises, which accounted for 48 deals worth \$2.48bn (compared to 40 deals worth \$1.84bn in the previous year). The spending by UK companies last year was led by GEC's acquisition of the US-based Tracor in April, in

Misys

deals were Federal-Mogul's Vickers' \$503m purchase of Norwegian shipbuilding and \$2.4 bn acquisition of T&N maritime engineering group and Caterpillar's \$1.3bn pur-Ulstein Holdings, KPMG's chase of the Perkins engines figures apply to deals receiving shareholder approval in The value of all global the year in question, and cross-border deals in the

cover car production and industry leapt in 1998, from telecommunications equip-\$43.03bn in 1997 to \$78.16bn. ment, though not computers. However last year's figure Last year non-UK compaincluded one mammoth deal nies spent \$9.25bn on acquir-- the \$37bn merger between ing UK engineering busi- Daimler-Benz of Germany the average deal in indusnesses, up from \$3.52bn in and Chrysler of Germany, tries such as banking.

recorded by KPMG (apart from those involving UK companies) was the \$2.1bn takeover by US-based Boston Scientific of Schneider of

Switzerland Excluding the Daimler/Chrysler merger, the 825 other cross border engineering deals last year were on average worth just \$49m each - much smaller than

group's acquisition policy

has born the most fruit.

"Getting into international

markets was the key factor

for us. You would not choose

to start an IT business in the

various product-led compa-

nies across various mar-

kets," in order to "build crit-

ical mass." If some were not

as successful as he had

hoped, he is not letting on

and points to the company's

consistent earnings track

We believe first and fore-

most in value and I think

there are occasions where

we see it and others don't.

They might just see the neg-

ative parts, whereas we will

concentrate on the good bits

He is more forthcoming

about where Misys might

strike next. The US remains

the focus, with further

acquisitions in the health-

care sector under consider-

ation. The retail banking

sector is also somewhere

where Mr Lomax considers

the company is under repre

The US now represents 50

per cent of revenues. a figure

Mr Lomax says could rise to

70 per cent in the near

future via growth and acqui-

sitions. At that stage, Misys

would consider a US listing,

"The financial markets are

so well developed that it

but not a relocation.

record as evidence.

of the business.'

UK - it is too small." He says Misys "bought

Arjo Wiggins Appleton Papering over the cracks is Ario Wingles App clearly not Ken Minton's style. In January, Arjo's FISE AT Share in the chairman pledged a turnround of the paper company. He is not wasting time. His plans should result in a halving of the European production assets included in the carbonless and thermal paper

1994 95 96 97

The sou

first place. No wonder Arjo has been earning dismal returns on capital. Mr Minton's surgery is not without risk. While the Cardiff plant is to close, the French plant gets more delicate treatment, including a look at "alternative uses" and discussions with employees. This could drag out the timetable. Another risk is that Arjo's customers will want their cut of the £40m or so annual cost savings these measures should deliver. Fortunately, Arjo's customer base is fragmented. So the company should be able to hang on to

division. The fact that the

company expects that such a big chunk of capacity can be taken out without damaging supplies to customers is a

testament to how underutil-

ised the assets were in the

Tender tax Nobody expects the Spanish Inquisition. That seems to be the response of the investment trust industry to the Inland Revenue's search for tax avoidance wheezes in tender offers for shares. Unfortunately the Revenue's attitude should not come as such a surprise. The Revenue has a nasty record of suspecting that share buy-backs are dividends by another name. Its latest threat - and it hangs heavily over Anglo & Overseas' extraordinary meeting today - is that the cash shareholders receive will be viewed as income, rather than capital. At its most extreme, the Revenue might view any direct transaction between a company and its shareholders as disguised income.

This means only buy-backs in the market - limited to 15 per cent of the equity at a time - are sure to be safe. This might deter trusts from going for big bang reconstructions. It should not. Those needing such drastic action have a preponderance of institutional shareholders itching to get out. These are tax exempt, so the impact of the Revenue's position is minimised. The sadness is that private shareholders are being penalised. So the trusts must work on buyback schemes that pass muster with the Revenue.

Advent and Apax in \$72m Spanish deal

Advent International and and Apax, which will both Apax Partners, the venture have representatives on the S72m (£44.7m) equity investment in Jazztel, a Spanish does not matter where you telecoms start-up concern. writes Virginia Marsh.

capital groups, are leading a Jazztel board, are investing \$40m of the \$72m. Other investors include Spectrum Equity, a US telecoms fund, and Dresdner Kleinwort Ben-It is believed that Advent son Private Equity Spain.

1998 RESULTS

Striking a meteoric marriage of business and technology

Searching for value where others might miss it . . . Christopher Price looks at the rise of Misys and its strategy for expansion



Inside the UK's

D3 If any company were to be considered as exemplify-

ing the meteoric rise of the UK computer software and and services sector. Misys would be a strong contender. Headed by the pugnacious Kevin Lomax, the group was among the first to bring

stringent management techniques and marketing flair to an industry not previously reknowned for marry- the second half of 1998 suring business with technol-The result has been a 36fold increase in the share

price since Misys floated in 1987, including a seven-fold jump in the past three years alone. In September, it Mr Lomax is not. Executive became the first software chairman since 1985, he cut group to enter the FTSE 100 his teeth at Hanson, the

Its success has been built through a string of acquisitions in a fragmented financial software market, as well as organically through the huge demand for IT products and services which has

However, it is a strategy that has not always won the company plaudits.

Its aggressive deal-making

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ning some of the moves. The acquisition of Medic, the US medical software group, for \$923m (£573,2m) in 1997, for example, prompted a barrage of criticism.

Not only did it mark Misys's first move into this part of the US market, seen as a risky undertaking in any case, but the price of almost five times 1996 revenues and 23 times pre-tax profits was considered too high.

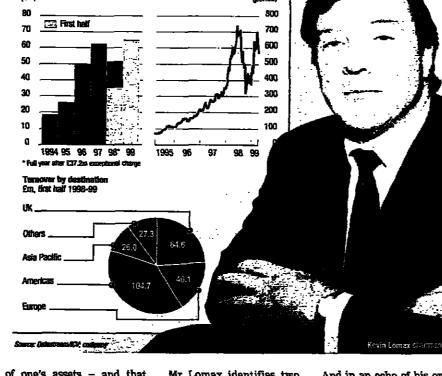
Yet, it appears that Misys has confounded its critics yet again. Medic's performance in

passed analysts' expectations and contributed to an 83 per cent rise in half-year pre-tax profits and a 62 per cent increase in revenues.

If some in the City are surprised by this turn of events, acquisitive conglomerate, and is full of confidence as to the company's direction.

His interest in technology stems from being involved in early development of computer aided design techniques, and was capped by emerged in the past three his management experience at Hanson, where at 25 he was the youngest managing director the company had ever had.

"Hanson taught me how to



of one's assets - and that has remained a fundamental part of our business right up to today.

Mr Lomax was an early investor in Misys, a move which has made him a very wealthy - £55m in shares at the last count.

The group's success and its employee share option has led to some analysts to run a business effectively scheme have also created question the logic underpin- and how to get the best out some 50 paper millionaires.

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stable fare base that, managed well, ensures steady

market is fast-paced and efficient, and railway

Mr Lomax identifies two issues as crucial to the success of the business. First has been the management team and the culture created. "The senior management people we have now have been with the company for 10 years or more, but some of us have known each other for 20 years," he said. "That builds a lot of confi-

And in an echo of his own experience, Mr Lomax is keen to promote responsibility early. "People get to run businesses very early on here - we attract people who want accountability and responsibility. It is a big driver in getting our staff to stay with us."

The other important element has been Misys's are located to be a global investment strategy, and company."

ERAMET GROUP

> Financial results remained clearly positive despite the drop

> in the price of nickel

> The strong

financial position allows dividend to be maintained

> The major strategic changes announced at the beginning of 1999 will considerably strengthen

ERAMET

the Group

	r	fp:	!'#1, pm./	707 1	
	FRF million	€ pullpra	FRF million	f miles	FRF adion
Turnover	7,223	1,102	7,917	1,192	5960
Operating profit	234	36	811	123	663
Income before tax and except that inems	300	46	956	130	71E
Net result, Group share	252	43	389	59	389
Operating cash flow Defore change in worting capital:	607	33	1,114	170	919
	FRF	÷	FRF	F	FRF
Earning per share	16.07	2,75	25.04	1.82	25.04
Dividenti per stare lexcluding tax crediti	7.42	7,14	7.50	1,14	7.50

size, listy 1, 1997, for the 1st bull 1997 the 46 the

Despite the strong decrease in the nickel price, the Group's ted net earnings remained substantial in 1998 thanks to the satisfactory performances of the high speed steel and ese divisions, in addition, the Group's net results benefited from large exceptional income

The Group's net earnings were FRF 282 m. (€ 43 m.), 28 % lower than those of 1997 [FRF 389 m].

The 1998 exceptional income amounts to FRF 174 m. (€ 27 m.) to be compared with an exceptional charge of FRF 22 m. in 1997 (pro-forma charge of FRF 27 m). It includes in particular an ptional income of FRF 100 m. (ϵ 15 m.). This represents the eart of the compensation (FRF I billion, i.e. € 152 m.) receive September 1998 relating to the swap of mining rights in New Caledonia which will be kept definitively by the Eramet

In addition, the sale of Comilog's kaolin affiliate (Evans Clay) resided in an exceptional income of FRF 44 m. (£7 m.) in Eramet's consolidated accounts after deducting minority interests. These

two exceptional incomes are not subject to tax. Het cash at the end of 1998 amounted to FRF 1 407 m. (€ 214 m.). Excluding the part of the compensation relating to the swap of mining rights which is subject to reimbursen Group (FRF 900 m., i.e. € 137 m.), net cash was FRF 507 m. (€77 m.), higher than that at the end of 1997 [FRF 442 m.). This underlines the financial capability of the Eramet Group to withstand a period of particularly depressed nickel prices.

> The dividend is maintained

Taking into account the Group's solid financial situation, the Board of Directors will propose to the Starcholders' General Meeting a net dividend unchanged compared to that of 1997, expressed in euros, in. € 1,14 per share IFRF 7.48) excluding tax credit, and € 1.71 per share (FRF 11.22) including tax credit.

> Outlook for the 1st half 1999 The world market setuation in the Group's three divisions is less ible than it was in the 1st half 1998 which was marked by a very strong activity, particularly in the high speed steel and

wever nickel demand has been more healthy in the past few months and the beginning of a recovery in the price of nickel can be seen, compared to the historically low level at the end

Taking into account the very weak nickel prices at the beginning of this year and the relatively depressed situation of the managenes market, the Group - which will still be in its present structure for the 1st half 1999 - could incur losses in the period.

Development of the Group's activities and change of shareholding structure in 1999

At the beginning of 1999, the Eramet Group and ions which will result in a substantial str of its activities and in major changes to its shareh acquisition of the Sima Group, the world's leading producer of

high performance special steels and nickel allow with Cogerna. The Eramet Group will become the world's number one producer of manuanese alloys.

in addition, 30% of the capital in SLN will be sold to a New financial structure formed by the 2 provinces, which will also receive 8% of the present share capital of Eramet. After these operations, Framet will be more than 60 % owned

appropriate authorities in the related co ndinary General Assembly of Eramet shareholders. They will take effect as of the 2nd half 1999 and will result in a new Eramet Group, significantly bigger, with activities widened to

trategic decisions will help to imp of the Group and will lead to increased share

WEST JAPAN RAILWAY COMPANY

earnings and profits.

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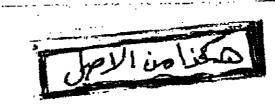
Orient Semiconductor Electronics, Limited U.S. \$80,000,000

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M PARIBAS



NEWS DIGEST

COMPUTER SOFTWARE

Infosys Technologies profit more than doubled

mosys Technologies, which last month became the first ndian software firm to list on the US Nasdag exchange, saw net profits more than double in the year to March, hanks to a weak rupee, aggressive marketing and ncreased productivity. The Bangalore-based company, se of India's leading computer software firms, reported net profits of Rs1.35bn (\$19.7m), up from Rs603m last ear. Sales doubled to Rs5bn from Rs2.5bn.

in spite of the strong performance, infosys shares closed down 7 per cent on the Bombay Stock Exchange on Friday, with some analysts disappointed that profits had not seen higher. The overall market fell 2.7 per cent.

Exports accounted for 97 per cent of the company's revanues. It attributed the strong performance to the depreciating currency, marketing efforts, and productivity gains. Whatever investment we made in terms of creating marceting infrastructure has really paid dividends," said a company official.

Work relating to the year 2000 problem, which accounted for 23 per cent of revenues in the last fiscal year, dropped to 15 per cent of sales in the fourth quarter. The declining importance of Y2K work revenues indicated that Infosys will have a smooth transition after the demand or such work dries up, said officials. The company said its dient base had also diversified over the 12 months. The top five customers contributed only 28 per cent of revenues, compared with 35 per cent in the previous year.

infosys sold 1.8m ADRs at \$34 each on March 11. The company plans to use the proceeds to invest in operations n India and abroad and to build its brand image, a traditional area of weakness for Indian firms. Revenue from the ssue will give it a significant "war chest" for acquisitions, and Infosys will use dollar denominated stock options to nelp recruit executives. Amy Louise Kazmin, New Delhi

Share trading

Credit Suisse goes online

Credit Suisse will today launch an internet and telephone direct share trading system, the first Swiss bank to do so. OS hopes to tap into a rapidly expanding market in Europe for online share trades by small investors. In the US, online trading is surging, with trading volumes rising 35 per cent in the last quarter of 1998.

Paul Meier, head of Credit Suisse's domestic banking unit, said the investments to create the service, called Youtrade, were not significant. He said the time had come for such a service, which in the US made up 13 per cent of total Nasdaq and NYSE transactions in the fourth quar-

Clients will be able to trade initially only in Swiss francdenominated shares listed on the Swiss Exchange, Later this year, dollar and euro-denominated securities will be added, as well as Nasdaq access. Mr Meier said CS expected 25 per cent of all transactions on the Swiss Exchange to be online in 2005 and by then, Youtrade would make up at least 30 per cent of these online transactions. Reuter, Zurich

HIGH TECHNOLOGY

and Apaxin

panish deal

1998 RESULTS

Israeli group to list on Easdaq

Supercom, an Israeli group specialising in high-tech identification cards for government agencies, plans to raise a net \$22m through a flotation later this month on Easdaq. the Brussels-based pan-European stock exchange for growth companies. The pathfinder prospectus, published today, shows up to 2.5m new shares will be offered at between \$9.50 and \$11.50 a share. At the middle price, the group would have a market valuation of \$129m.

The group, which has a 10-year contract with the Stationery Office to supply passports for the UK, will use the proceeds to fund marketing and further research and development. The three founding directors will retain a 70 per cent stake.

The prospectus shows that pre-tax profits last year were \$198,000 on sales of \$7.5m, compared with a previous loss of \$971,000 on sales of £6.9m. Beeson Gregory. which has been retained as a co-manager to the group, is forecasting profits of \$6.7m this year. David Blackwell

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ANNOUNCEMENT TO Shareholders

At the time of publication of the 1998 results, it was announced that the 1998 dividend to be proposed for approval at the Annual General Meeting of Shareholders on April 19, 1999, would be NLG 1.58 per ordinary Hagemeyer share of NLG 2.50. After deduction of the interim dividend of NLG 0.48, a final dividend of NLG 1.10 remains to be paid. At the option of shareholders, this dividend will be paid either entirely in cash, or in the form of a stock dividend, to be paid either from the share premium reserve or from retained camings.

The ratio of the stock dividend has been determined such that for every 60 existing ordinary Hagemeyer shares held, one new ordinary Hagemeyer share of NLG 2.50 nominal value will be issued.

Naarden, April 8, 1999 HACEMEYER N.V. **Board of Management**



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Compaq warning rattles PC sector

But strong results are expected from other high-tech groups, writes Louise Kehoe

committed a cardinal sin. The world's largest shocked Wall Street analysts by announcing, late on Friday, that earnings for the quarter just ended would fall

far short of their estimates. Retribution is likely to be hours dealing on Friday, Compaq shares were off almost 16 per cent from the official closing price. Today, analysts are expected to weigh in with negative comments. One predicted a "public lynching" of the long- could offset the negative time Wall Street favourite when the market opens in New York today.

In its surprise profit warnfor the first quarter would be about 15 cents a share; less than half of the 31 cents-ashare consensus of analysts' estimates. The company is that Company failed to blamed the shortfall on warn "the street" until after "lower than anticipated market demand and increased just days before it is schedcompetitive pricing in the uled to issue its official commercial personal com- results on April 21.

trigger a broad stock market for monitoring sales trends reaction. Personal computer are seriously deficient, or growth of the internet, have communicate with analysts smaller PC manufacturer, computer stores.

investors might take fright.

kets have proved remark- extraordinary. ably resilient to bad news swift and sharp. In after- over the past few months and Compan is just one of several high-tech industry tated financial analysts by leaders due to report results over the next two weeks. Strong results expected from Intel, Microsoft and Cisco Systems, for example,

effects of Compaq's earnings disappointment. Yet there is little doubt that Compaq shareholders ing. Compan said earnings are in for a rough ride. It is bad enough that the computer company should fall short of the stellar results expected by analysts. Worse

the end of the quarter, and

This suggests either that Compaq's problems could Compaq's internal systems sales, together with the that the company failed to Micron Electronics, a could be spotted first in US

ompay Computer has been the primary drivers of in a timely fashion. Neither fuelled concern. And despite the US technology sector, is good, but in an era of strong sales growth, Dell which in turn has fuelled the information technology personal computer maker buil market in US stocks. If systems that enable even demand for business PCs is large global companies to slacking, as Compaq said, monitor sales on a daily basis, such surprises in the However, US stock mar- high-tech sector are

> Even before Friday's debacle, Compaq was in hot water. The company irridisclosing to visitors from one brokerage firm in Febru-ary that demand for PCs among medium-size businesses had been slack since the beginning of the year.

he company should have disseminated this information more broadly. other analysts complained. By late February, Compaq was saying that the mid-size business market was back on track and the entire market was up to expectations. But the seeds of doubt had already taken root on Wall Street.

When IBM's annual report lost nearly \$1bn last year, some analysts read this as confirmation of a slowdown. A profit warning from when broad market trends

Computer did not satisfy Wall Street's appetite for an "upside surprise".

However, Microsoft said last month that it had seen no unusual slowing of PC shipments. Sales were typically slower in the first calendar quarter, after the busy Christmas selling period, the software company said. Since Microsoft's Windows software is shipped with the vast majority of PCs sold worldwide, the software company is in a unique position to monitor overall mar- Eckhard Pfeiffer: questions over focus ket trends.

However, it is still not entirely clear what is hap-pening in the PC market. Last month, PC Data, a market research group that tracks US retail PC sales, said unit sales of Windows PCs had grown by less than 1 per cent and revenues had plunged 16 per cent in February against a year ago.

However, the US retail segment of the PC market now revealed that its PC division represents only about 9-10 per cent of the total world market. This is sharply lower than a few years ago,



With direct sales of PCs

via the internet growing rap-idly - from 13.5 per cent in 1995 to an estimated 29 per cent this year - it is becoming increasingly difficult to discern broad market trends. Compaq has also been slow to respond to rapid growth in the low-cost PC segment. Until recently the "sub-\$1000" PC was seen as a consumer product, but now

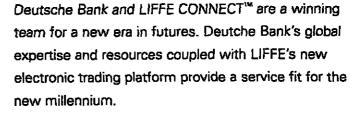
businesses too are buying to corporate networks. tell whether Eckhard Pfeif-

fer, chief executive, and his lieutenants have been distracted from their focus on the PC market by the acquisition last year of Digital Equipment, which has expanded Compan's product line into large-scale computers.

The critical question for investors is whether Compaq's problems are internal or whether they reflect a broad slowdown in PC sales. these "basic PCs" to attach This will put the spotlight on results from other US Until Compaq reports technology companies, sevdetails of its first-quarter eral of which are due to results, it will be difficult to report over the next two

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LatAm bourses consider alliance

in Mexico City and Mark

Latin American stock markets are exploring the idea of a regional alliance, spurred on by a continentshare prices rebound sharply after months of uncertainty.

The Latin American Federation of Stock Exchanges on Friday called for all bourse conference of federation barriers," Mr Luque said. leaders in Santiago. Manuel Robleda, president

information to an all-out seriously analysing."

merger. In spite of strong rises in recent months, most Latin American markets are still hampered by tiny volumes and some place heavy restrictions on foreigners investing in local stocks.

José Carlos Lucue, federawide rally that has seen tion president and Peru's representative, said globalisation of capital has made the need to compete on the world stage more urgent.

"As a federation, we are regulators to work towards looking for a way to inteharmonising laws to allow a grate through the unificaregional link-up within two tion of laws, which means years. The call came after a doing away with a series of

Proposals range from the of the Mexican bourse, said: cross-listing of shares and an "It's the future of the market exchange of technology and and it's something we're

The moves come amid a dramatic rise in Latin American stock exchanges since the regional shock-waves of the Brazilian devaluation in January. The Mexican bourse has led the way, closing last week up 35 per cent in dollar terms since the

beginning of the year. Brazil and Chile have added more than 20 per cent to their main indices since January. Mexico, in an effort to inspire more activity, moved to electronic trading in January. Participants are also known to be promoting the idea of a a link-up with the Nasdaq index.

In Chile, congress has approved draft legislation for the establishment of an "offshore" stock market for foreign groups looking to list non-Chileans to invest in new or existing shares in local stocks, and capital Santiago. The proposal is gains tax remains high at 15 one of a series, including a per cent.

Even Mexico, which is considered the leader in market duction of more derivative liberalisation, has had little success in attracting foreign ishing liquidity after a wave listings. In 1997, a handful of of foreign takeovers and the Argentine companies listed on the Mexican exchange, but they have never traded partly because of differences between the two countries

regarding capital gains tax. Similarly, the new listing would have to be supported more local investors. Mutual fund investors remain negligible in many facilitating a regional countries while in the case link-up. The country has a of Mexico, private pension series of laws that make it funds are still barred from difficult and expensive for participating in the market.

Brierley finalises \$600m refinance

Brierley Investments has finalised a US\$600m debt refinancing package, of which a third may be used for acquisitions. Sir Selwyn Cushing, chairman, said the package meant the company had the financial flexibility

to pursue new opportunities. Brierley investments ran into financial problems foilowing a boardroom coup last April which led to the departure of former chairman Bob Matthew and chief

executive Paul Collins. In the ensuing uncertainty, the value of its key assets fell substantially and directors embarked on an asset- selling programme which intensified after failure to sell its largest investment, a 16 per cent shareholding in Thistle Hotels in

The asset sale programme,

now said to be complete. reduced debt from a neak of NZ\$3bn to NZ\$7.1bn (\$588m) as the company sold key shareholdings ranging from group John Fairfax. New Zealand forestry interests, US and Australian hotel investments and the Auckland casino Sky City. The

group's main assets now include a 46 per cent stake in Thistle Hotels. 41 per cent in Air New Zealand and a controlling shareholding in the Australian-US building group James Hardie

Sir Selwyn said the refinancing had been completed on favourable terms. In addition, the share prices of its main assets had improved since December, further strengthening the company's debt position.

HSBC New Zealand and Overseas Union Bank, Singapore, had been appointed to arrange the facility, and had jointly underwritten it. Up to the holding company consix financial institutions would participate.

Herman Rockefeller, group financial officer, said the new arrangements streamticipate in the new facility. The interest rate would reflect changes in interna- | nal and external growth". tional lending and would be compared with the previous

Mr Rockefeller said the company had no early plans to begin reinvesting. although the package met the company's needs. A business strategy plan for the Former AD shareholders company is expected to be announced in a few weeks. | cent of the enlarged group.

of unfairness only 6,000 jobs would be cut over four years, based entirely on voluntary redun-Banque Nationale de Paris, dancies. This pledge is the French bank bidding for thought to be behind the its rivals Société Générale government's implicit backand Paribas, is to complain ing for BNP's offers. Job proto regulators about "uniair" tection tops the priorities of the socialist government of The move follows a drapise 51br

prime minister Lionel matic deterioration in relations between the three pro-SG and Paribas, whose tagonists, which culminated boards voted last week to last week in accusations that proceed with their own each side was manipulating agreed merger, have consisthe others' share prices. tently refused to negotiate A BNP executive said yeswith BNP. Daniel Bouton, terday that the bank was SG chairman, signalled last planning to write to the Conweek that be would resign if seil des Marchés Financiers, BNP succeeded in taking the financial markets regulaover SG. "I would choose to tor. about "misleading" dec-

take up gardening," he said. larations by Andre Levy-Last week it emerged that Lang, Paribas chairman, Mr Lévy-Lang said in a televiboth BNP and SG had complained to the Commission sion interview on Friday des Opérations de Bourse that BNP's plans to merge about erratic moves in their the three banks threatened share prices.

Each bank is accusing the other of manipulating its share price.

The relative share prices are crucial in determining which offer is successful. BNP and SG are both offering to acquire Paribas by paying with their own shares. BNP is also offering payment in shares for SG. A rise in the share price of one of the banks makes its offer bids. BNP has vowed that more attractive.

Rescue package sought for Argentine bank

By Ken Warn in Buenos Aires

the bank is based, were last

week queueing to withdraw

Argentina's central bank month ago. Banco Mendoza was the 25th biggest bank in was seeking over the weekend to put together a rescue the Argentine system, with package for Banco Mendoza. deposits of almost \$500m. which has been hit by a The bank's president is Raul series of runs on deposits. Moneta, one of the country's Savers in the western best-known bankers and businessmen. Mr Moneta is province of Mendoza, where

biggest television and teledeposits - sometimes without success - in a panic that communications group. appears to have been accen-Mr Moneta's Banco Repubtuated by local media lica group bought the for-

Before the heavy with- Banco Mendoza two years entity, appeared the most drawals began about a ago. The two banking likely option, analysts said. operations were being merged in an operation approved in principal by the central bank.

Central bank officials declined to comment on the bank's problems, or the negotiations to find buyers also president of CEI Citifor its 82 branches. However, corp Holdings, the country's local analysts said up to 12 of Argentina's biggest banks had been invited to the secret negotiations. A break-up of the bank, rather merly provincially-owned than its sale as a single

Before its privatisation. Banco Mendoza - like many Argentine banks – was dogged by allegations of politically motivated lending. It remains the main financial agent of the province, which retains a stake

gradual move to full elec-

troulc trading and the intro-

products, to combat dimin-

popularity of the ADR mar-

ket in New York. Daily vol-

umes on the Santiago Bolsa

averaged just \$12m last year.

dent of the Chilean stock

exchange, admitted after Fri-

day's conference that Chile

had further to go than most

of its neighbours towards

Pablo Yrarrázaval, presi-

of just over 3 per cent. Mendoza is the heartland of Argentina's wine industry, and small agricultural producers make up most of the bank's customers.

Mr Moneta, who could not be reached for comment, became the president of CEI Citicorp last year when Texother provincially owned as-based buy-out fund Hicks. Muse. Tate & Furst paid \$723m for almost a third of the company.

Argentina's Central Bank has become adept at winding | the Australian newspaper up smaller local banks after a series of failures that have accelerated concentration of ownership in the banking system. The country's 10 biggest banks account for over 69 per cent of deposits.

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Strafor takeover battle hots up

behaviour by its targets.

up to 25,000 jobs.

"We cannot let them get

away with this." said BNP.

They are waving the red

rag of employment. We have

always argued that our proj-

ect was a good compromise

between value creation [for

shareholders] and the situa-

BNP's pledge to protect

jobs has been at the heart of

the bank's efforts to gather

support for its twin hostile

tion in the jobs market."

Last week's rejection by Strafor Facom, the French tool and car components group, of a bid by Fimalac, trolled by Marc Ladreit de Lacaharrière, set the scene

for a bitter struggle. Strafor said its board had unanimously rejected Fimalined the previous complex | lac's bid at €80 a share, valurange of loans, which at its ing it at €848m (\$913m). peak involved 70 lenders in | branding the approach "hos-30 debt facilities, in four cur- tile". It said the price offered rencies. It was expected a was "very insufficient" and number of these would par- | did not take account of "the quality of the assets and [Strafor's] potential for inter-

> distribution, a car compoto be approved by AD shareholders next month, involves folding AD into Strafor and would end up owning 20 per

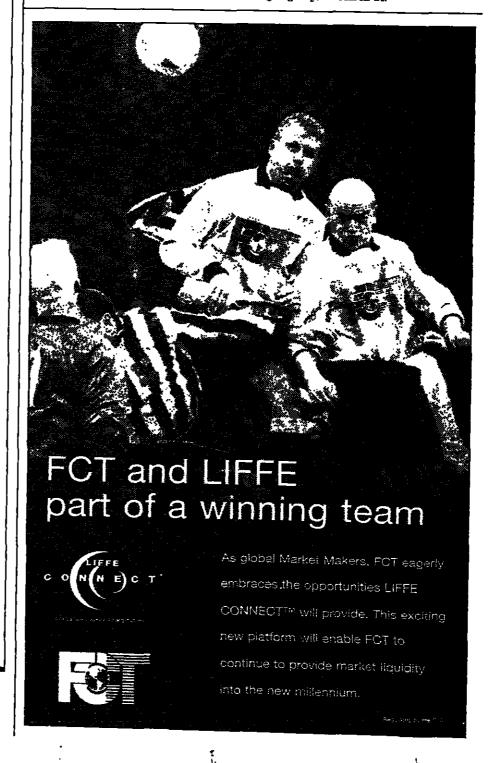
synergies between its activities and those of Fimalac. whose main business is Fitch-IBCA, the credit rating agency formed from the 1997 merger of Fitch of the US and IBCA, the Franco-UK agency.

In recent years, Fimalac

sold its property arm to investors led by François Pinault, the financier fighting for control of Gucci, the Italian fashion house. It has also spun off its media businesses and Sofres, the opinion polling concern. Strafor shares closed at

€81.5, up almost 3 per cent, after Fimalac received regu-Fimalac's offer threatens a latory approval to proceed

had risen above the price trading at €67 before Fimalac's announcement on





ccuses

r takeover

hots up

Grupo Serfin may need to raise \$1bn

By Hanry Tricks in Acapuico

Mexican banking regulators have asked Grupo Financiero Serfin, Mexico's third largest bank, to draw up plans to raise a possible \$1bn in coming years to settle lingering problems from the 1994 peso crisis.

However, the bank, which is partly owned by the UKbased HSBC, is playing down any pressures from the move because it does not need to start raising the capital until

. Bankers say the tug-of-war between the two institutions has raised concern among Serfin's interbank creditors. Analysts are recommending selling its stock, which is traded in the US and Mexico, though it was delisted from the New York Stock Exchange in February.

New demands for capital would be a major headache for Serfin shareholders, who have already had to raise \$1.5bn to dig the bank out of its post-1995 hole. Only last year they saw profits for the first time after two years deeply in the red.

Eduardo Fernández, head of the National Banking and Securities Commission, said in an interview at a banking convention here that for the moment the bank was adequately capitalised and provisioned, and had no solvency or liquidity prob-

"We're relaxed about the term we have to prevent problems by seeking greater capital contributions from the shareholders. We don't think there are additional fiscal resources available to charges of drug money laun-

The problems stem from Serfin's sale of more than 55bn pesos (\$5.8bn) of loans to a government trust called Fobaproa after the 1994 pesos crisis. For seven years after 2001, the bank will have to accumulate losssharing provisions against up to 30 per cent of that

In the worst case, it is estimated the cost would be around 10bn pesos, depending on Serfin's success in recovering the assets. That would be more than its 9.2bn pesos of existing shareholder

Adolfo Lagos, Serfin's director general, played down the problems and highlighted instead what he called a "spectacular" operating turnround, from losses totalling 10.9bn pesos in 1996 and 1997 to a profit of 127m pesos last year.

The bank is adequately capitalised according to Mexican law, and we don't see immediate capital pressures because we don't expect credit to begin to grow in any significant way for the next two years," Mr Lagos

To meet the loss-sharing needs from 2001 onwards, he said the bank could tap its shareholders and sell assets, but he ruled out seeking another foreign partner besides HSBC. "We have the best partner ... I don't want or need another pariner.," he

present, but in the medium. The bank's other relationship, a \$68m planned investment from J.P. Morgan, the US investment bank, was expected to be cancelled after Serfin pleaded guilty to support this capitalisation dering in a US count late last

Xoom.com Daehan takeover

Xoom.com, the US-based internet community site, bas said it is in takeover talks a sign of the increasing pace of consolidation in the internet business

The revelation came in regulatory filings prompted by a share offer last week, which said the company was in talks with "one party" about a "major investment... that could result in a change of control". Xoom was not available for com-

ment yesterday. The fast-growing company mould appeal to many investers interest in internet community sites, which help members build their own pages and form clubs and interest groups online, has been high since Yahoo!, the leading internet portal, bought Geocities, the largest internet community, for about \$5bn earlier this year. Yahoo!'s rivals that do not et have community sites, sech as Excite or AltaVista, the likely to want to follow

hoo's lead. Xoom.com came to the tock market in December with the shares at \$14. Since then they have jumped to more than \$70, valuing the company at close to \$1bn, despite the fact that it made a loss of \$10.8m last year on turnover of \$8.3m. It currently has about 7m members, and is growing rapidly.

It is one of a second generation of Internet community ites. Unlike the first generation, Koom.com is focused e-commerce. Members what they want to buy ad agree to receive email fers from the company, eich then tries to negotiate god deals for its members.

in talks on operations suspended

South Korea's Philadide Supervisory Commission the function watching, Said If hed decided to suppose due to cash-flow problem

technically in default as the headed for closure. Dachan Won400bn to Won500ba (\$327m-\$409m) of notes do last week, said officials.

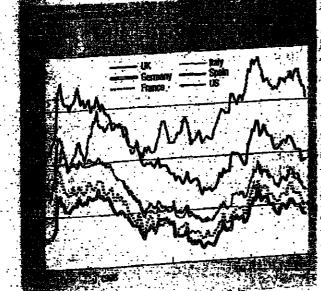
But Daehan, whose major shareholder, Sungwen Conwas also struction. rumoured last week to be facing financial problem was granted a reprieve instead of being declared in default. Regarding Daehan's failure to settle the note payment yesterday, [Daehan]) was given a reprieve," said an official at

He said the FSA had begun discussing with gov ernment authorities the future of the financial firm. The authorities were said to include the finance minister and officials at the presidential secretariat.

Another PSA official said it would mame one or two merchant banks for closure soon following the financialsector restructuring.

The supervisory agency had been expected to release merchant banks' earnings figures as of March 31 on Thursday but delayed the release in consideration of how it would affect financial markets, the official said.

Merchant banks, whose main business is short-term lending to companies largely mercial bills, had been blamed for helping bring about the 1997 crisis.



INTERNATIONAL EQUITIES AMBITIOUS PRESIDENT PREPARES BOURSE FOR ALLIANCE OR POSSIBLE PUBLIC LISTING

Electronic trading sets Mexico buzzing

The giant mirror dome that is home to Mexico's stock market has suddenly gone quiet. The shouts of frantic traders no longer echo from its sun-dappled curves and only the odd crumpled voucher litters the floor. Could it be the apocalyptic

results of the world-wide financial crisis? Not quite. Desoite the almost letharsic mood of the scant remaining traders languidly browsing computer screens, stock market trading volumes over the usually slow Easter holidays were nearly double those of the previous year, as were the number of operations.

In part, the indistinguishable buzz is due to an almost unprecedented rally that has pushed Mexico to the top of world markets in terms of profitability, gaining 35 per cent in dollar terms since the beginning of the year. But mostly it's because the exchange has gone fully electronic since mid-January.

There have been glitches, with trading stopped for more than three hours at a stretch. But where before more than 5,000 operations would bring the ill-equipped stock market president, to

market floor to a standstill, trading is now faster, more efficient and virtually unlimited, say traders, result-

ing in greater volumes and a 55 per cent drop in spreads. Under the same scheme, brokerages are moving operations from the floor to remote computers at office headquarters and by June

Trading is faster, more efficient and virtually unlimited, say dealers, with greater volumes and a 55 per cent drop in spreads

under the dome. "The change has been dramatic," said Alvaro Garcia Pimentel, trader for Merrill

Lynch in Mexico and president of the floor brokers committee. "You become a more complete trader." The move is the latest in an ongoing restructuring began in 1992 under the lead-

ership of Manuel Robleda,

profitable and efficient enter-

paring the exchange for an eventual alliance with other markets or a possible public listing, pointing to examples in Milan, Stockholm and Australia.

tion and for that you need leagues." said Mr Robleda American Federation of iago, Chile to discuss regional alliances.

Cross-listing stocks on other regional exchanges or, perhaps more importantly, in the US or Europe would boost the profile of Mexican companies and provide much-needed liquidity, said Mr Robleda.

The still diminutive market has a capitalisation of some \$100bn; about 140,000 clients, compared with 430,000 a decade ago: and negligible mutual fund investors.

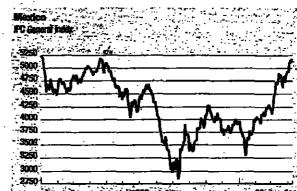
In a bid to drum up new US markets, where the

Mr Robleda says he is pre-

"The future of the market is in alliances or privatisavalue-added, like state of the art technology. Otherwise it's difficult to enter the big last week before meeting with members of the Latin Stock Exchanges in Sant-

limited success.

business and compete with



majority of Mexican companies are traded, the bourse introduced a special listing for medium-sized companies in 1996 and has launched a atmerrew him savitavirsh market, although all with

Other plans in the works include the opening of a futures market and introduction of wholesaler traders.

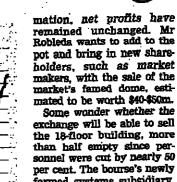
The efforts of Mr Robleda, a 25-year market veteran. and a newly streamlined board of directors, have been held up by continued stock market volatility, a depleted client base and a banking crisis in 1995 that continues to be felt, say market ob-

Of the exchange's 32 stockholders, eight - mostly the brokerage arms of local banks - are inactive and soon to be dissolved. Others, such as Bankers Trust, are closing their Latin American

operations. However, for those who do stay, Mr Robleda is making it worth their while. For the first time in the exchange's 105-year history, the board has paid out \$86m in dividends over the last five years, in spite a 29 per cent

decline in earnings since By reducing costs by a third and generating new

the sale of electronic infor-



exchange will be able to sell the 18-floor building, more than half empty since personnel were cut by nearly 50 per cent. The bourse's newly formed systems subsidiary, Bursatec, is also in the midst of moving to a state-of-theart computer centre outside the city. In the meantime, owner-

ship of the building - a big barrier to buying into the exchange - has been factored out of the cost of a market share and placed in a separate account. As a result, the share cost has dropped from \$3.2m to

"Maybe what we bave done is a bit unorthodox but we don't want to limit ourselves," said Mr Robleda. "Whether that means forging alliances or an all-out fusion with another exchange, then that's what we'll do. What we want is to be a real spring-board of development for the coun-



Coca-Cola to Associates continue fight Capital in rejig for Orangina

Coca-Cola, the US soft drinks company, pledged at the weekend to proceed with its planned acquisition of Oransparkling orange drinks owned by the wine and spirits group Pernod Ricard, in spite of a setback in the country's highest adminis-

However, the FFrabn (€762m, \$821m) deal is likely to be scaled down significantly, after the Conseil d'Etat, the highest administrative court in France, rejected on Friday Coca-Cola's appeal against a government decision to veto the transaction.

Coca-Cola appealed to the court earlier this year, after Dominique Strauss-Kahn. finance minister, adopted a ruling by the independent competition regulator that the sale would result in a dominant position for Coca-Cola in the most profitable segment of the soft drinks market - sales in cafés. hotels and restaurants.

Coca-Cola said at the weekend it was "still interested" in acquiring Orangina and that it had maintained talks with the government to tackle "the preoccupations raised by the Conseil de la tion regulator]".

Coca-Cola's decision to refer its complaint to France's highest court foilows its failure, after six months of talks, to agree with the government on the gina, the French maker of definition of the markets covered by the deal.

The finance ministry argues that Coca-Cola and Orangina would have a share of well over 25 per cent of the non-cola soft drinks market. Coca-Cola's claim that it is not in a dominant position is based on its assumption that the relevant market segment is that for "non-alcoholic drinks".

Frédéric Thiriez, a lawyer acting for Coca-Cola, said the authorities' veto was politically motivated. "Coca-Cola has the disadvantage of being American." he said

The planned sale, which gained support from the French trade unions after Coca-Cola guaranteed jobs at Orangina until 2002, was strongly opposed by PepsiCo, Coca-Cola's main US rival. PepsiCo currently relies on Orangina's infrastructure to distribute its products in

Orangina's distribution facilities are likely to be left out of future talks between Coca-Cola and Pernod Ricard, with the transaction price falling as a result.

Company results in China reveal a mixed picture

As foreign investors in China look for signs in the real economy to match the Beijing government's suggestions that an economic rebound is under way. Chicome under closer scrutiny

Zhu Rongji, the prime minister, on tour in the US, has been forecasting economic growth in 1999 outstripping year ended December 1998, last year's 7.8 per cent, yet corporate figures reported in Hong Kong and Shanghai

hai-listed telecommunications equipment supplier, reported a 27 per cent fall in of the Guangdong provincial 1998 profits owing to a government and one of Chitougher regulatory climate. na's largest foreign borrow-despite a rise in sales. Profits ers. But Shanghai Industrifell to Rmb 203.3m (\$24.6m) al's chairman Cai Laixing in 1998 from Rmb 309.7m the previous year, although turnover rose to Rmb 5.68bn

The company said rapid mobile phone market had boosted sales, but the cost of adjustments resulting from a unbao Pharmaceutical. clampdown on improper use of rebates appeared to have eroded earnings.

Huaneng Power, a mainland company with H shares listed in Hong Kong and Depositary Receipts (ADRs) in New vear but forecast a tough profits to Rmb 1.84bn in 1998

compared with Rmb 1.66bn the previous year. Shanghai Industrial, the

Hong Kong-listed bolding company, was upbeat. It reported a 13.7 per cent rise in net profit for 1998 and said the 1999 outlook was nese company results have much improved, especially now banks were willing to lend again. Last week the company posted profit attributable to shareholders of HK\$1.15bn (\$148.4m) for the compared with the previous HK\$1.02bn.

Corporate China has strug-International Trust and Investment Corporation (Gitic), the investment arm said: "The worst of the credit

crunch is over. Shanghai Industrial's earnings growth came chiefly from expressway growth in the domestic joint ventures, its dairy business, a printing company and a recently acquired medfurther investments and tax icine manufacturer. Qingch-

Lucky Film, China's leading manufacturer of photographic film, achieved a 32 per cent increase in net profits in 1998, it reported last week. It still disappointed markets, as the earnings were lifted substantially by York, said by contrast that it investment in state debt and had improved earnings last interest on funds from its stock offer. Exports of the an 11 per cent rise in net photographic paper fell by more than 40 per cent.

By John Authers in New York

Associates First Capital, one of the largest consumer lending and leasing companies in the US, has started an ambitious programme of reorgan ising its international assets, following its acquisition of the Avco consumer lending business from Textron. The acquisition was the

ambitious yet attempted by Associates. which completed its spin-off from Ford last year. It gave the company businesses in eight new countries, with 1,200 new offices and 2.5m

The company ranges from commercial finance, including a leading position in truck finance in the US, to home equity lending and credit cards. With a market value of \$33.6bn, it ranks among the largest US financial services companies.

Keith Hughes, the chief executive, has already started an aggressive campaign of remodelling the company. In the southern US, 128 former Avco branches have been sold to Citigroup's Commercial Credit group. It will also close another 10 branches which overlap with existing

Among its new markets, it has acquired large businesses in the UK, Canada, Australia and New Zealand although it may opt not to stay in Australia or New Zealand, Mr Hughes said: "We have some questions about whether that market could stand up to our growth

Associates branches.

expectations over time." The company is also looking at expanding into emerging markets, although it would need to be able to reach "critical mass" swiftly. Associates is staying in credit cards, where it has a "niche" business offering credit cards under its own name. It also produces credit cards for Washington Mutual, the largest US thrift and has one of the largest

US businesses providing

"own-label" credit cards for

corporations. US credit cards have seen swift consolidation in the last year, with several medium-sized players, such as Bank of New York or Mellon Bank, deciding to sell to companies which benefited from economies of scale.

Mr Hughes suggests, howscale can be taken too far the industry's current reliance on extra finance charges and other fees show that operating costs are not an "overwhelming decision factor"

Within the commercial credit market in the US, Associates has been a consolidator, but several other 'serial acquirers" have been doing the same thing, notably GE Capital, the financial services arm of General Electric.

The merger of CIT Group with Newcourt of Canada, announced earlier this year creates a commercial lending company which is bigger than Associates in some businesses, although Mr-Hughes does not believe they will be "any more formidable collectively than they could have been individually".

On the commercial front, the emphasis will be on providing finance for computers 1999. The company reported company's colour film and and telecommunications equipment at technologybased companies.

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
LVMH (France)	Gucci (Italy)	Luxury goods	\$8.7bn	Formally rejected
Philips Electronics (Netherlands)	VLSI Technology (US)	Semiconductors	\$777m	Offer extended
General Cable Corp (US)	Unit of BICC (UK)	Engineering	\$440m	Seller refocusing
BT (UK)	SmarTone (HK)	Telecoms	\$384 m	Strategic 20%
Cap Gemini (UK/France)	Beachwood (US)	Computer stycs	\$200m	IT Integration
Schroder Ventures (UK)	AU-System (Sweden)	Computer stycs	\$135m	Mobile majority
Cupola Group (Dubai)	Unit of Inchcape (UK)	Business arvos	\$116m	Disposals continue
Frangi Investments (Italy)	Tie Rack (UK)	Retailing	\$36m	Agreed cash bid
Carclo Engineering (UK)	Wood Industries (US)	Plastics	\$35m	Menufacture move
Midland Bank (UK)	Mid-Med Bank (Matta)	Banking	n/a	Now negotiating

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Pioneer seeks to navigate a route to better returns

The electronics group is struggling to meet its targets, writes Paul Abrahams

knew he was in for a rocky ride. For years, the managing director in charge of investor relations at Pioneer, the innovative Japanese electronics group, has presented the group's results to foreign investors.

His visits have borne fruit nearly 30 per cent of shares are held by non-Japanese investors. But this time he needed to justify the group's disappointing results. "I had some explaining to do," he smiles.

Since then Pioneer's situation has, if anything, deteriorated further. Operating profits in the third quarter. ending in December, tumbled 18 per cent year on year to Y3.7bn (\$30.6m) on sales of Y147bn. The margins were just 2.5 per cent. "Our results are not satisfactory," Mr Kobayashi agrees.

Some of the problems are

beyond the group's control. The Far East is a problem, Russia is a problem, Brazil is a problem." laments Mr Kobayashi. In Europe and the US, where the economies are more buoyant, pricing is "Frankly, any benefits

from a cheaper yen last year were squandered by aggressive price-cutting," he says. As for the domestic market, consumers remain reluctant to spend. Although

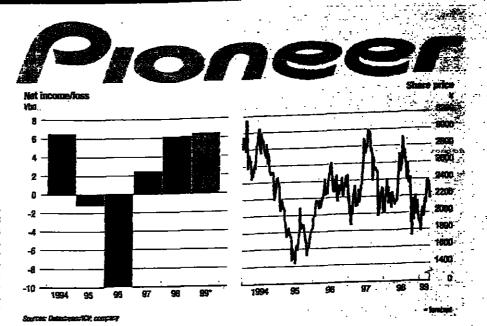
hen Takashi Kobay-ashi visited Europe such as Digital Video Disc late last year, he (DVD) and car navigation systems are growing fast, the group's traditional mainstay products, such as home audio and in-car entertainment, are suffering. The audiovisual software business performed particularly poorly. In the third quarter, sales fell 34 per cent to Y8bn.

Pioneer has responded to the crisis by announcing an aggressive cost-cutting programme aimed at cutting operating expenses by as much as 30 per cent. The group has cut the number of models it produces by 30 per cent and launched a programme to standardise the parts used in different products.

Manufacturing has been increasingly transferred overseas - about 50 per cent now takes place abroad. Finally, capital spending has been slashed. Mr Kobayashi explains that the build-up of overseas production has been completed, and free cash-flow is positive for the first time in four years.

However, in spite of such measures, the group continues to struggle to meet its financial targets. The group had set itself a goal of return on equity of 10 per cent by 2005. At present it is just 1.8 per cent.

Mr Kobavashi insists Pioneer's future is dependent on its ability to increase sales



by leveraging its technology. There is no doubting Pioneer's historic record of innovation - the company has been a leader in car navigation systems and DVD technology.

Top-line sales growth in DVD, where Pioneer wants to become the world leader, has been impressive. So far, 2m players have been sold worldwide, a faster uptake than either compact disc or the video recorder. In the US alone, more than 1m have been sold by all manufacturers, thanks partly to the better availability of software there. The group is also betting on DVD-Rom for computers. Since its June launch 6m have been sold.

The car navigation market is also growing fast. The group has 25 per cent of the Japanese market. In 1997, Pioneer introduced the industry's first DVD-Rom car navigation systems with features such as voice recognition. A CD-Rom-based system will be launched in the US and Europe this spring.

Sales growth should also come from plasma displays for ultra-thin - 9cm depth televisions.

Prices remain high about Y1.4m for a 40-inch screen and Y2.5m for a 50inch screen, but Mr Kobayashi believes that improving vields and cost-cutting should bring prices down, to a level where the TV becomes a mass market

he final core technology that should drive sales is television set top boxes. Last year the group won an order to supply 400,000 units in Europe to Canal Plus.

Pioneer is already selling in France, Spain, Italy, and plans to launch in Scandinavia and Benelux this year. There is huge potential in the US, where 66m analogue boxes are installed.

However, it is unclear whether the investment in new technologies will generate an adequate return. Analysts point out that cash generation has tended to be low.

and with Moody's Investors Service giving the group a Baa3 rating, there are long-term questions over its ability to sustain its research and development investment

The biggest problem is that Pioneer, with its market capitalisation of just Y414bn. remains a minnow compared with companies such as Sony and Matsushita, which have much deeper pockets. Even when Pioneer develops new and successful applications, it tends to be edged

out by its bigger rivals. It is a measure of the doubts about Pioneer that since January last year it has slightly underperformed the Topix index of all firstsection shares on the Tokyo exchange.

That is not a dazzling performance, given its fastgrowing market segments. As Mr Kobayashi prepares to meet investors, to explain the company's results for the year ending March 31, he

TELEPHONES AFTER MONTHS OF DISARRAY IN BRAZIL, SPANISH COMPANY SAYS SERVICE WILL GET BETTER

Telefónica pledges improved network

Spain's Telefónica says it has got to grips with Sao Paulo's telephone system, seven months after taking over the state's snarled network. From now on, the company's president promises to provide a "perfectly acceptable" level of service.

Fernando Xavier Ferreira, who runs Telefónica's Brazilian business, admits that the rush to meet next month's for clearing a backlog of but failed to deliver, caused an "inevitable but temporary degradation" of the system.

Engineers cut lines off for days and weeks and changed users in time. Placing calls became a frustrating experience. The surge in com- able franchise once the mar-

plaints overwhelmed support ket is thrown open to full Telefonica is installing two staff, worsening frayed

The chaos prompted regulators to nunish the company with fines of up to R\$8.5m (US\$5m), with possibly more in the pipeline. The state assembly set up an investigatory commission. Companies and individuals are filing lawsuits demanding potentially large damages.

The mess in Sao Paulo, iated Telefónica in its higgest venture overseas. It paid R\$5.78bn (then worth US\$4.96bn) for the Sac Paulo telephone network, 64 per cent above the minimum price. The fiasco has cost the company much of the goodnumbers without informing will that greeted the privatisation and could affect its

ability to defend the valu-

competition at the end of this year.

ceived as incompetent, arrogant and indifferent to the quality. problems it has caused. He the public, which expected service to improve after privatisation, that initially "things would not be as good

as expected". Mr Ferreira says that starting today, this will change: "The technicians we had working on [the backlog] will be redeployed to establish perfectly good services. There will be definite benefits for the population."

million new lines in Sao Paulo this year, expanding Alexandre Constantini, the network by one third. telecoms analyst at Bear This would repeat the pat-Stearns, the New York tern in other Latin American investment bank, says Tele- markets, where Telefônica fonica is "spending a lot took over networks on the more on publicity than verge of collapse. A period of expected. Telefónica has a initial disarray while it identification, voice mail and terrible image". It is per- sorted out systems was fol- an efficient billing system.

The government will soon

and run new parallel or "mirror" networks to comlines quickly and cheaply. cent in US dollar terms. Telefónica's travails will provide its competitor with a should climb by over 10 per golden marketing opportu- cent as profits - excluding nity, and it could find itself provisions for legal costs -

sooner than it thought.

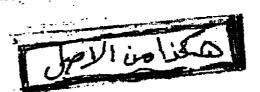
Yet Regio Martins, analyst at Deutsche Bank, dismisses fónica. He said: "Within a year the network should be working well, and with digitalisation we can have all kinds of intelligent services like call-forwarding, caller lowed by improvements in Their image can improve."

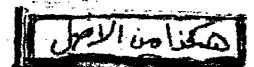
He expects Telefónica to turn in a reasonable perforsays Telefónica did not warn select operators to set up mance this year, given the lowing January's devaluapete with the privatised com- tion of the Real. He forecasts panies. Using wireless local net revenues of R\$5.5bn, loop technology, these opera- compared with R\$4.5bn last tors should be able to install year, a drop of about 10 per

However, net margin fighting for market share rise to over R\$900m from R\$670m the year before.

FT GUIDE TO WORLD CURRENCIES

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Bhane	(Cadi)	3630.01	2422.00	2610.07	1,4967 2900.08		(Pat. Report	79,8724	49.7430	53.8956	41.0777	SOR	(508)	1.18280	0.737500	0.797900	0.7663 0.608200







MARKETS WEEK

April 12 - April 18

easy screen and LIFFE ready for kick off

By Andrew Edgeciiffe-Johnson

The impact of Compaq's profit warning, delivered late on Friday, may dominate Wall Street's attention early this week. but there is no shortage of economic news to focus on,

On Tuesday, the consumer price index for March is expected to show its largest rise for just over two years. The forecast 0.3 per cent increase, after 0.1 per cent advances in the previous two months, will be largely because of higher gasoline prices, assisted by reduced discounting from car sellers and rises in air fares.

Also on Tuesday, retail sales data for March should show another solid gain of 0.4 per cent, despite the early Easter holidays. Annualised growth in consumer spending has been about 5 per cent over the first quarter, although there are signs this will slow in the coming three months.

On Wednesday, the business sales and inventories report should

Benchmark yield curve 5.20 4.20

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April 1999

show a 0.2 per cent rise. confirming the more conservative approach shown to inventory management in the US. Friday brings March

9800

housing starts, estimated to have fallen 1.5 per cent, and industrial production figures, which should show a 0.1 per cent rise.

By Steve Thompson

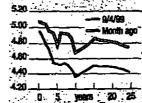
investors might well be expecting something of a breather after the frantic pace of the London market's rise in recent sessions which has seen the FTSE 100 and FTSE All-Share indices racing to record levels and the junior indices making rapid progress.

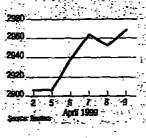
There is not much in the way of domestic economic news or indeed company news this week to what the appetites of the market's many optimists. But many UK market observers continue to see London as offering good value compared with the US and other European markets.

Corey Miller, UK equity market strategist at Paribas. sees London as riding a wave of momentum-driven buying and sees little to bring a halt to the current support for the market, although he is reluctant to shift his end-year FTSE 100 forecast beyond 6,500. The strategy team at

BT Alex Brown has been

Benchmark yield corve





preaching caution, however, and pointed out that sterling's stubborn strength in remaining above the DM2.90 level will keep many companies uncompetitive in international markets.

Friday brings the last day of trading in the London market's April index options.

FRANKFURT

By Uta Hamischiese

After weeks of lingering below the 5,000 mark, the Dax index of Germany's top 30 blue chips rose 66.16 points on Friday to close at 5,133.92, buoyed by the European Central Bank's

rate cut late on Thursday. The clear close above 5,000 as cheered as a significant

Optimists now see the Dax climbing slowly but gradually towards 5.500 while others say that passing the February high of 5,292.74 should be the main target.

Regardless, analysts say the ECB's easing should stimulate the market for some time.

Consumer goods and software groups, cyclical shares such as Linde and Thyssen, and growth segments such as chemical stocks should profit most from the lower level of interest rates.

On the other hand, some analysts warn that the BCB's clear statement that

ichmark yleid curve

this was the last rate out for

the time being could damp

On Wednesday, earnings

conferences will be held by

chemicals group Boehringer

Ingelheim, mixed industrial

group Mannesmann, tyre

maker Continental and

construction company

Hochtief.

the long-term mood.

(%)

4.99

3.90

By Paul Abrahams

TOKYO

whether Japanese equities can continue their impressive run. The Nikkei 225 index closed at 16,855 on Friday, up 565 points on the week, and briefly broke through 17,000 in intra-day trading. Since October, it

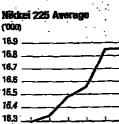
Most of the buying has come from foreign investors, who last month bought more Japanese stocks than ever before, motivated partly by hopes that companies restructuring

has risen 30 per cent.

announcements are genuine. However, domestic buyers have been mostly absent. Further foreign demand would support the yen against the dollar and currencies in Europe, where interest rates fell last week.

As for the bond market, inflationary expectations remain low but prices could suffer if further issuance is required to fund government spending in the second half. There have been hints from coalition politicians about

Benchmark yield curve Investors will be watching



the need for a supplementary budget, given low growth prospects for the Japanese economy, About 80

April 1999

per cent of the last package was front-loaded into the six months to September. Bond prices could fall if senior Liberal Democratic Party figures start backing the idea of another package.

COMPANIES DIARY

Compaq warning shifts focus to computer groups

In the UK, retailing group value stocks," the team said Tesco dominates the results scene, but on the international front the profits warning from Compaq on Friday will throw investor focus on to figures due from US com-

puter companies. The recent UK results season added to the evidence that the UK economy is set to enjoy a soft landing rather than recession.

network *

Research by the strategy and economics team at ABN Amro has highlighted growing confidence that recession will be avoided, and this has prompted the team to advise investors to switch from earnings growth to those that are seen as early economic cycle plays such as resources and general indus-

trials. Stocks such as telecommunications and pharmaceuticals have performed very strongly as investors sought shelter from the effects of the turmoil in Asia.

This has in turn pushed the FTSE 100 index, of which such stocks constitute 25 per cent, to record levels. ABN Amro said the outperformance of growth stocks since 1994 showed signs of ending. "It is time to switch into

UK have remained low due to the strength of sterling, the British Sugar subsidiary has reduced processing

However, any significant • Jefferson Smurfit, the switching of investment international paper and portfolios into general induspackaging group, is expected trial stocks could prompt History (£141m) up from the outperformance in the FTSE 250 and SmallCap indices. I£150m last year. Analysts Research by the quantitative will be keen to hear of the analysis team at Dresdner current pricing environment, particularly in the US, Kleinwort Benson has highlighted the fact that the and the effect of the Asian heavy weighting of such turmoil of last year in these stocks in those indices has been a significant factor in

Earnings in the diversified industrials sector, for example, are forecast, by a consensus of earnings to be published in the April edition of defensive stocks displaying The Estimate Directory, to grow by 20 per cent in the next financial year. This is a switch from negative growth of 54 per cent forecast for the current year.

their underperformance.

TODAY

 Interim numbers from AB Foods are expected to rise modestly, helped by cost savings in its UK food manu-

Carl Short at SG Securities forecasts a pre-tax advance from £198m to £198m.

While sugar prices in the

TUESDAY

• Tesco is expected to reveal another strong performance when it reports final figures. House broker BT Alex Brown expects the food lying pre-tax advance of about 6.5 per cent to \$870m. Total sales growth is expected to be up about 7.3 per cent, divided equally between like-for-like and

new store openings. The results may be overshadowed by any comment the group has to make on recent regulatory worries sparked by the referral of food retailing to the UK competition authorities.

• Intel, the world's largest

EDITED BY MARTIN BRICE

ter earnings of \$1.10 (68p) a share, compared with 81 cents a year earlier, while revenues are expected to reflect the traditional seasonal downturn, analysts said. Slow sales of the new Pentium III chip, launched to produce pre-tax profits of at the end of February, are expected to be offset by sales of the Xeon chip for highend servers and workstations. AFX News. San Fran-

> Interim numbers from Pressac, the electrical and electronic components manufacturer, are expected to rise from £4.5m to about £5.8m.

WEDNESDAY

• Strong demand for iMac personal computers, offsetis expected to help Apple Computer to report secondquarter earnings per share of between 47 and 62 cents, up from 38 cents a year earlier, analysts said. AFX News, San Francisco

THURSDAY

 Sun Microsystems, the US computer group, is expected to report earnings per share ahead at 70 (59) cents for its third quarter ended March. semiconductor group, is APX News, San Francisco

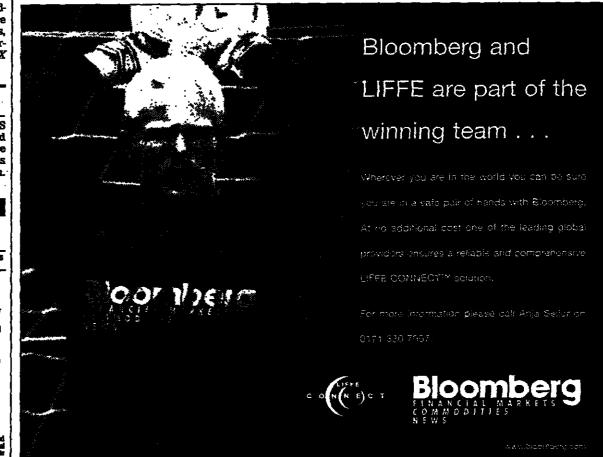
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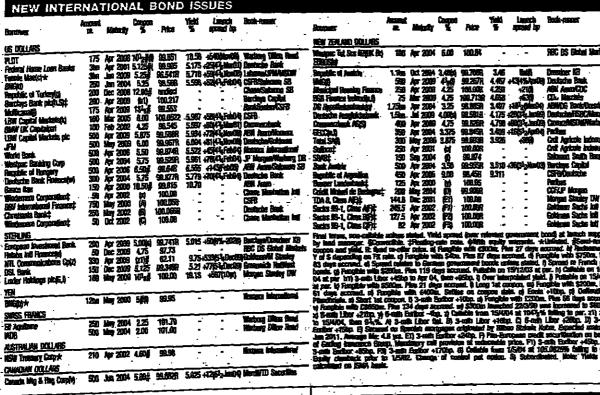
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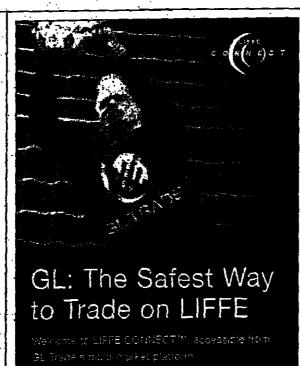
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Time to take stock

After the excitement of last week's interest rate cuts in the euro-zone and the UK, participants will have an opportunity to work out their medium-term effects on the currency markets.

The majority view was that a cut would be good for sterling, especially if it decreased the chances of a future cut and increased the prospects for a soft landing of the UK economy.

This week will show whether the recovery above the key \$1.60 level can be maintained, and how the short sterling market sees

The market was less convinced that the same would be true for the euro, and indeed the wobbly performance of the currency in the

coming out this week to give prices and also go for a cut.

the market a clue whether conditions are ripe for a turnround in the core euro

More important will be any public comments by ECB members or leading euro-zone politicians giving indications of future monetary or fiscal policy moves.

Despite Wim Duisenberg's insistence last week that the the foreseeable future, some persist in thinking that any further downward revisions to growth expectations could see another easing.

The market will also turn attention to non euro-zone Union. Sweden may well decide to follow Denmark's lead in matching the ECB's 50 basis point cut in the near future.

aftermath of the ECB's cut to trim the 40 basis point gap last Thursday seemed to between the ECB's reporate indicate that its future was and its own with a further small reduction. And Nor-There is little in the way way may well decide to of business confidence data ignore recent weaker oil

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weekago	_	4.77	4.80	4.83	4.96	_	_	
aro Linked Ds	-	25.3	2-:	23	25	_	_	
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ero Euribor	_	2660	2.660	2676	2719	_	_	
weekago	_	2.963	2942	2.920	2.939	_	_	
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London Intertant (bidg life cales ary stopen for						Jeposes (Ost	I	

₩ PC	UND IN N	EW YORK
Apr 9	Close	Prev ctase
£ spot	1.6080	1,6050
1 min	1,6075	1.6045
3 mth.	1.6070	1.6040
1 yr	1,6077	1.6047

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_	Apr 9		٤			s	
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	UAE	5,8956	- 53	900 1	3,6728	•	3.6733

INTERNATIONAL CURRENCY RATES

LOW 95.02 94.97 94.68

High 95,04 95,03 94,75

95.76

Schneider SA

Second Notice of Meeting General Meeting of holders of SQUARE D Convertible bonds

Holders of Square D 2% 2003 bonds convertible into Schneider SA shares were called to a General Meeting on April 7, 1999. Since the quorum was not met, the bondholders are invited to attend a General Meeting on Wednesday, April 21, 1999 at 10:00 a.m. at the headquarters of Compagnie Financière de CIC et de l'Union Européenne, 4 rue Gaillon, 75002 Paris. The agenda of the meeting is as follows:

· Reports of the Board of Directors and the Auditors.

 Approval of the waiver of Schneider SA shareholders' preemptive right to subscribe shares with a maximum aggregate par value of EUR 750 million to be issued on redemption, conversion, exchange or exercise of warrants or other share equivalents, subject to waiver of these rights by the General Meeting of Schneider SA shareholders.

 Approval of the 26-month authorization sought by the Board of Directors to issue shares, stock warrants or other securities. without pre-emptive subscription rights, with a maximum par or face value of EUR 1.5 billion, subject to approval of this authorization by the General Meeting of Schneider SA shareholders. The maximum aggregate par value of the shares to be issued directly or on redemption, conversion, exchange

INTERNATIONAL FINANCE CORPORATION RUB400,000,000 25% Notes due April 15, 1999

ISIN: XS0085907237

Notice of Offer to Purchase

Notice is bereby given that International Finance Corporation ("IFC") has offered (the "Offer") to purchase any or all of the exptioned Notes (the "Notes") at a purchase price in USD equal to their principal amount plus accrued interest for value on 15 April 1999 (the "Settlement Date") to be determined on the basis of the Emerging Markets Traders Association ("EMTA") RUBAUSD exchange rate on the Settlement Date. IFC has appointed Westdeutsche Landesbank Girozentrale, London Branch ("WestLB") to act as its agent in connection with the Offer.

This Notice is only a summary, and does not contain the complete terms and conditions, of the Offer. Holders of Notes are advised to obtain the complete terms and conditions of the Offer, including the procedural requirements for acceptance of the Offer, details concerning the fixing of the BMTA RUBAUSD exchange rate on the Settlement Date, the calculation mechanism

for the purchase price for the Notes, the delivery settlement of the purchase of the Notes, and other a concerning the Office, from:

Westleutsche Landesbenk, Lo Attn: Local Markets Fixed Inc Tel: +44-1-71-444-7414 Fax: +44-1-71-444-7842

9 April 1999

or exercise of warrants or other share equivalents will be limited to EUR 750 million.

· Approval of the authorization sought by the Board of Directors to grant stock options to the management and key employees of Schneider SA and its subsidiaries, subject to approval of this authorization by the General Meeting of Schneider SA shareholders. The number of shares to be purchased or subscribed on exercise of the options, excluding cancelled options, will not exceed 5% of the capital. Shareholders will waive their pre-emptive right to subscribe shares issued on exercise of options.

Powers to carry out formalities.

All bondholders are entitled to attend the General Meeting.

To attend the meeting or vote by grow, holders of bearer bonds will be required to provide proof of their identity and ownership of the bonds at least five days prior to the date of the meeting. To this end, they should obtain a certificate from their banker, broker or other intermediary confirming their titile to the bonds and stating that the bonds have been placed in a blocked account to prevent their sale prior to the meeting.

The Board of Directors



Floating Rate Notes, Due January 10, 2000 POTICE IS REPERLY CIVEN THAT FOR he istoerest Period 12th April 1999 k 12th July 1999, the innexest rate will be 4.84667% per annum.

Ville de Montréal

Can\$200,000,000

1999 against Coupon No. 18 will be Can\$12.25 per Can\$1,000 Note, and Can\$1,225.13 per Can\$100,000

The Bank of New York, London as Calculation Agent 12th April 1999

Position available. **LEGAL NOTICES**

la a Petition presented to the Court of Session on 26th March 1999 at the instance

Brodies W.S. 15 Autout Cres Eductoryti EHD SHA Solicisons for Petiti

Six	One	Ap	r 9	BFr	DKr	FFr	DML I	£ L	R	Mar	ß	Pta	S10:	SFr	£	CS		Y	<u> </u>
months	7081	Belgium*	(BFr)	100	18.42	16.26		52 4900	5.463	20.81	497.0	4125	22.13	3.987	1.664	4.017 2.180	2.672 1.450	323.5 175.6	2.479 1.345
2월 · 24 3월 · 24	ლი. ლი 31ა. ლე	Denmark France*	(DKs) (FFs)	54.28 61.50	10 11,33	8.825 10	2.632 1.0 2.982 1.2	160 2605 201 2952	2.965 3.360	11.29 12.80	269.7 305.6	223.9 253.7	12.01 13.61	2.153 2.440	0.903 1.023	2.100	1.543	198.9	1.525
54 - 5	5a - 5	Germany	(DM)	20.63	3.800	3.354		103 990-0	1.127	4.292	102.5	85.07	4.564	0.818	0.343	0.829	0.551	65.72	0.511
1 - %	11 - 14	treland*	(E)	51.22	9.437	8.329	2.483	1 2459	2.798	10.66	254.6	211.3	11.33	2.032	0.852	2.058	1.368 0.056	165.7 6.740	1.270 0.052
4% - 4½ 5 - 49	45 - 45 53 - 5 <u>:</u>	haly* Netherlands*	, NED (T)	2.083 18.31	0.384 3.373	0.339 2.977	0.101 Q.0 0.888 0.3		0.114 1	0.434 3.809	10.35 90.97	8.593 75.50	0.461 4.051	0.083 0.726	0.035 0.305	0.084 0.735	0.489	59.22	0.454
3 - 2	7.7	Norway	(NKr)	48.05	8.855	7.815	2.330 0.9		2,625	10	238.8	198.2	10.63	1.907	0.800	1.931	1.284	155.5	1.191
16 - 19	2% · 24	Portugal*	(Es)	20.12	3.707	3.272	0.976 0.3	93 965.8	1.099	4.187	100	82.99	4.452	0.798	0.335	0.808	0.538	65.09	0.499
		Spain* Sweden	(Pta)	24.24	4.457	3.942	1.175 0.4		1.324	5.045	120.5	100	5.365	0.962	0.403 0.752	0.974 1,815	0.648 1.207	78,43 146,2	0,601 1,120
		Switzerland	(SKr) (SFr)	45.19 25.21	8.326 4.644	7,349 4,099	2.191 0.8 1.222 0.4		2.469 1.377	9.404 5.245	224.6 125.3	186.4 104.0	10 5.578	1.793	0.419	1.013	0.673	81.55	0.625
		UK	(2)	60.10	11.07	9.773	2914 1.1		3.283	12.51	298.7	247,9	13.30	2.384	1	2.415	1.606	194.4	1.490
		Canada	(CS)	24.89	4.587	4.048	1.207 0.4		1.360	5.180	123.7	102.7	5.508	0.988	0.414	1 1.504	0.665 1	80.53 121.1	0.617 0.928
Est with	Open int.	USA Japan	(S) (Y)	37.43 30.91	6.897 5.895	6.087 5.027	1.815 6.7 1.499 0.6		2.045 1.629	7.789 5.432	186.0 153.6	154.4 127.5	6.283 6.840	1.485 1.226	0.623 0.514	1.242	0.826	100	0.766
63,922	462,756	Euro	(0)	40.34	7.432		1,956 0.7		2.204	8.394	200.5	166.4	8.926	1.600	0.671	1.621	1.078	130.5	_1
135,500 35,204	457,153 357,755	Daries Kreez, F					# 10; 96çan Fr	25. Te., is.	, रेक्ट क्ट नेस	eta per 100.	. 920 min	tos.							
		T D-Mark (Open	Sell price	Change		Low	Est.vol	Open int.	B PR	LADELPH	IA SE £/\$	OPTIONS !	31,250 (cents per	pound)			
52	1,391	Jun	0.5516	0.5545	+0.0032		0.5510	15.622	33.247	Strike		_	CALL	_			PUI		
		Sep	0.5570	0.5578	+0.0032	0.5570		4	1,251	Price		Apr	May		Jam	Apr	Ma	-	Jun ,
		Dec	-	0.5611	+0.0032	-	-	13	140	1.600 1.610		1.19 0.63	1.99 7.44		2.45 1.97	1.35 0.64	1.0 1.5		1.50 2.08
		E SURSS FR	ANC FUTU	RES (CMC) S	SFr 125,000	per SFr				1.620		0.22	1 02	!	1.53	1.30	2.1		251
		Jun:	0.6787	0.6794	+0,0017	0.6818	9,6773	27.522	59.509	Previous	day's wol.	Calle sta Pi	espa Prev	. day's gpe	50 est., (2015)	nda Pulis Ad	•		-
		Sep Dec	0.6852	0.6962 0.6928	+0.0019	0.5872 0.6835		19 2	329 6	E PH	LADELPH	44 SE D-14	ARKIS OPT	TIONS DM	62,500 (\$	per DM)			
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table can be	tound on		Ореп	Seit proce	Change	High	rue.	Est.vci	Open int.	0.545 0.550		0.79	1.13 6.82		1.37	6.09 0.20	0.3		0.49
s edition.	1)un	0.8315	0.8341	+0.0032	0.8352		13.943	B5,035	0.555		0.44 0.20	0.56		1.10 0.83	0.40	0.44 0.73		0.68 · 0.91 ·
		Sep Dec	0.8437	0.8444 0.8547	+0.0032	0.8440	0.8437	2 1	1,749 1,454	Providence	day's wal.	Calls n.a Pu	es e la . Pres			n/a Puls n/a	1		-
		■ STERLING			_			-	-41-07	DE	iorii z	ank i	0011 111		-N+ P	ONDO			
				(CME) 562.5						BER		AKK (GOVE		:N U	SONDS	Wik caq	Month	-
)m	1,6042	1.6082	+0.0042	1.5096													
		Sedo	1.6070					14,114 167	68,356 1 439	Арг 9		Date	Сокрал		Yield	Day chg yield	yield	chg yid	Year chg yid
		Sép Dec	1.6070 —	1,6082 1,6090	+0.0042 +0.0042	1.6100	1.5030	157	1.432	Apr 9	ta .		8.750	Price 196.730	Yield 33 4.8	yield 9 -0.02	yield		
			1.6070 — 	1.6082	+0.0042	1.6100	1.5030	157		Amairel	ta	Date	8.750 9.750	Price 196.730 125.736	Yield 33 4.8	yield 9 -0.02	yield	chg yid	chg yid
			1.6070 — 	1.6082	+0.0042	1.6100	1.5030	157	1.432	. —	ia	01-01 08-08 03/01	8.750 9.750 5.250	Price 196,730 125,736 104,480	Yield 33 4.8 64 5.2 00 2.8	yield 9 -0.02 3 -0.07 1 -0.10	yield -0.14 -0.20	-0.4; -0.39 -0.38	-0 19 -0.31 -1.32
	-	Dec		1,6082 1,6090	+0.0042	1.6100	1.5030	157	1.432	Anstru		01-01 08-08 03/01 01/08	8.750 8.750 5.250 5.600	Price 196,730 125,730 104,480 107,640	Yield 33 4.8 64 5.2 00 2.8 10 3.9	yield 9 -0.02 3 -0.07 1 -0.10 5 -0.08	yield -0.14 -0.20 -0.08 -0.20	-0.4; -0.39 -0.38 -0.27	-0 19 -0.31 -1.32 -0.98
				1,6082 1,6090	+0.0042	1.6100	1.5030	157	1.432	Amairel		01-01 08-08 03/01	8.750 9.750 5.250	Price 196,730 125,730 104,480 107,640 104,070	Yield 93 4.8 64 5.2 00 2.8 00 3.9 00 2.8	yield 9 -0.02 3 -0.07 1 -0.10 5 -0.08 2 -0.12	yield -0.14 -0.20 -0.20	-0.4; -0.39 -0.38	-0 19 -0.31 -1.32
	7	UK IN	TERE	1.6082 1.6090	+0.0042 +0.0042	1.6100	1.5030	157	1.432	Anstru		01-01 08-08 08-08 03/01 01/08	8.750 8.750 5.250 5.600	Price 196,730 125,730 104,480 107,640 104,070	Yield 33 4.8 64 5.2 00 2.8 10 3.9 00 2.8 10 4.0	yield 9 -0.02 3 -0.07 1 -0.10 5 -0.08 2 -0.08	yteld -0.14 -0.20 -0.20 -0.20 -0.15	-0.43 -0.39 -0.39 -0.27 -0.25	-0 19 -0.31 -1.32 -0.98 -1.30
_	- -	UK IN	TERE	1,6082 1,6090 ST RA	+0.0042 +0.0042 TES	1.6100 -1.6100	1.6030	167 1	1.432 30	Austria Belghar		01-01 08-08 03/01 01/08 03-09	8.750 9.750 5.250 5.600 5.000 3.750	96.730 125.730 104.480 107.640 104.070 97.230	Yield 33 4.8 64 5.2 00 2.8 10 3.9 00 2.6 10 4.0 10 4.8	yield 9 -0.02 3 -0.07 1 -0.10 5 -0.06 2 -0.12 9 -0.08 5 +0.01	yead -0.14 -0.20 -0.20 -0.20 -0.15	-0.4; -0.39 -0.38 -0.27 -0.25 -0.25	-0 19 -0.31 -1.32 -0.98 -1.30 -0.84
		UK IN	TERE	1.6082 1.6090	+0.0042 +0.0042	1.6100	1.5030	157	1.432 30	Austria Belghar	-	01-01 98-08 03-01 91-08 02-01 03-09 12-00 05-08	8.750 9.750 5.250 5.000 5.000 3.750 5.000 9.000	Frice 196.730 125.736 104.480 107.640 104.070 97.230 100.540 107.850	Yield 33 4.8 34 5.2 30 2.8 30 3.9 30 4.0 30 4.0 30 4.0 30 4.0 30 4.0 30 4.0 30 4.0 30 4.0 30 4.0	yield 9 -0.02 3 -0.07 1 -0.10 5 -0.08 2 -0.12 9 -0.08 5 +0.01 2 +0.03 2 -0.11	-0.14 -0.14 -0.20 -0.15 -0.17 -0.14 -0.09	-0.45 -0.39 -0.39 -0.27 -0.25 -0.21 -0.50 -0.34	-0 19 -0.31 -1.32 -0.98 -1.30 -0.84 -0.19 -0.31
		UK IN LONDO	TERE N MO	1.6082 1.6090 ST RA NEY R	+0.0042 +0.0042 TES ATES 7 days notice	1.6100 1.6100 One ponth	1.5030	167 1	1.432 30 	Austria Belgket Ceneda	-	01-01 08-08 03/01 91/08 02/01 03-09 12/00 05/36 11/09	8.750 9.750 5.250 5.000 5.000 3.750 5.000 6.000 9.000 6.000	Price 196,730 125,730 104,480 107,640 104,070 97,230 100,540 107,850 108,900 115,340	Yield 33 4.8 64 5.2 00 2.8 00 2.8 00 4.0 00 4.9 00 4.9 00 4.9 00 4.9 00 4.9	7ield 9 -0.02 3 -0.07 1 -0.10 5 -0.06 2 -0.12 9 -0.06 5 +0.07 2 +0.03 2 -0.11 7 -0.09	yield -0.14 -0.20 -0.20 -0.15 -0.17 -0.14 -0.09 -0.11 -0.18	-0.45 -0.39 -0.39 -0.27 -0.25 -0.21 -0.34 -0.31	-0.19 -0.31 -1.32 -0.98 -1.30 -0.84 -0.19 -0.31 -1.28 -0.89
		UK IN LONDOI Apr 9 Interbank Sterik	TERE N MO	1.6082 1.6090 ST RA NEY R	+0.0042 +0.0042 TES ATES 7 days	0ne morati 52 - 54 54 - 54	1.5030 Three stooths 5% - 5% 5% - 5%	16x 1	1.432 30	Austria Beighn Canada	-	01-01 98-08 03-01 91-08 02-01 03-09 12-00 05-08	8.750 9.750 5.250 5.000 5.000 3.750 5.000 9.000	Frice 196.730 125.736 104.480 107.640 104.070 97.230 100.540 107.850	Yeld	yield 9 -0.02 3 -0.07 1 -0.10 5 -0.08 5 -0.08 5 +0.07 2 +0.03 2 +0.03 2 -0.11 7 -0.09	yiold -0.14 -0.20 -0.15 -0.17 -0.14 -0.19 -0.11 -0.18 -0.17 -0.17	-0.4) -0.39 -0.39 -0.27 -0.25 -0.21 -0.56 -0.34 -0.34	-0.19 -0.31 -1.32 -0.98 -1.30 -0.84 -0.19 -0.31 -1.28 -0.89
	-	UK IN LONDOI Apr 9 Intertrepts Starting COs Tressury Bills	TERE N MO	1.6082 1.6090 ST RA NEY R	+0.0042 +0.0042 TES ATES 7 days notice	1.6100 -1.6100 One month 5½ - 5% - 5 5½ - 5% - 5 5½ - 5%	1.5030	Sax 2000ths 5% - 5%	1.432 30 30 00e year 5 _E - 5 ₂	Australia Belgian Canada Desumer	-	04:01 08:08 03:07 01:08 03:07 03:08 12:00 05:08 11:00 11:00 04:08	8.750 9.750 5.250 5.000 3.750 5.000 6.000 4.000 5.000	Price 106,732 125,730 104,480 107,640 104,670 97,230 100,540 107,850 101,430 107,872	Vield 4.933 4.9364 5.2 00 2.864 5.2 00 2.800 3.93 00 4.00 00 4.00 00 4.00 00 4.00 00 4.00 00 4.00 00 4.00 00 4.00 00 4.00 00 4.00 00 4.00 00 4.00 00 4.00 00 4.00 00 4.00 00 4.00 00 4.00 00 4.00 00 4.00	rield 9 -0.02 3 -0.07 1 -0.10 5 -0.06 5 -0.06 5 -0.06 5 +0.01 2 +0.03 2 +0.03 7 -0.09 5 -0.12 3 -0.10	yiold -0.14 -0.20 -0.20 -0.15 -0.17 -0.14 -0.19 -0.11 -0.18 -0.17 -0.19	-0.45 -0.27 -0.28 -0.27 -0.25 -0.21 -0.34 -0.34 -0.31 -0.30 -0.29	-0.19 -0.31 -1.32 -0.98 -1.30 -0.84 -0.19 -0.31 -1.28 -0.89 -1.00 -0.80
		UK IN LONDO! Apr 9 Interbank Sterik Steriker (Cts Treasury Bills Bank Bills	TERE M MO	1.6082 1.8090 ST RA NEY R Over- night	+0.0042 +0.0042 *ATES 7 days notice 5% - 5%	0ne month 52 - 54 52 - 52 52 - 52	Three stooths 54 54 54 55 55 55 55 55 55 55 55 55 55	Six 2000dis 5% - 5% - 5% - 5%	1.432 30	Austria Belgket Ceneda	-	03:01 08:498 03:401 91:408 03:01 03:09 12:500 05:508 11:400 04:09 67:500 04:09	8.750 9.750 5.250 5.000 3.750 5.000 6.000 6.000 4.000 4.000 7.250	Price 196,730 125,730 104,480 107,640 104,070 97,230 100,540 107,430 101,430	Yeld	#eld 9 -0.02 3 -0.07 1 -0.10 5 -0.08 5 -0.08 5 +0.07 2 +0.03 2 -0.11 7 -0.09 5 -0.12 3 -0.10 -0.12 -	yiold -0.14 -0.20 -0.15 -0.17 -0.14 -0.19 -0.11 -0.18 -0.17 -0.17	-0.4) -0.39 -0.39 -0.27 -0.25 -0.21 -0.56 -0.34 -0.34	-019 16 -019 -031 -132 -038 -034 -031 -132 -038 -031 -130 -031 -128 -039 -130 -030 -138
		UK IN LONDOI Apr 9 Intertrepts Starting COs Tressury Bills	TERES MO	1.6082 1.6090 ST RA NEY R	+0.0042 +0.0042 TES ATES 7 days notice	1.6100 -1.6100 One month 5½ - 5% - 5 5½ - 5% - 5 5½ - 5%	Three stooths 54 54 54 55 55 55 55 55 55 55 55 55 55	Sax 20000015 50 - 50 51- 54	1.432 30 30 00e year 5 _E - 5 ₂	Australia Belgian Canada Desumer	-	01-01 08-08 03/01 01/08 03/01 03-09 12/00 11/09 11/09 04/09 04/09 04/09	8.750 9.750 5.250 5.000 3.750 5.000 6.000 4.000 4.000 7.250 4.000	Price 196,730 125,730 104,480 107,640 104,070 97,230 109,540 107,350 101,430 107,472 101,540 107,540 107,540 107,540 107,540 107,540 107,540 109,420 109,420	Vield Vield	yield 9 -0.02 3 -0.07 1 -0.10 5 -0.06 5 -0.06 5 +0.01 2 +0.03 2 -0.11 7 -0.09 5 -0.12 3 -0.10 -0.12 5 -0.12 6 -0.17	-0.14 -0.15 -0.17 -0.16 -0.17 -0.11 -0.18 -0.17 -0.19 -0.15 -0.10	-0.4; -0.39 -0.39 -0.27 -0.25 -0.21 -0.34 -0.34 -0.30 -0.29 -0.31 -0.33 -0.23	-0.19 -0.21 -0.28 -0.30 -0.84 -0.19 -0.31 -1.28 -0.39 -0.30 -0.80 -1.100 -0.80 -1.109 -0.80
I mited		LONDOI Apr 9 Intertrant Sterils Steriling City Treasury Bits Brait Bits Lucal authority Discount Market	MO deps.	1.6082 1.8089 ST RA NEY R Over- night 5% - 5% 5% - 5%	+0.0042 +0.0042 TES 7 days rotics 5½ - 5½ 5½ - 5½	1.6100 1.6100 0ns month 52 - 54 52 - 52 52 - 52 52 - 52	1.5030 Three snorths 54 - 54 54 - 55 54 - 55 53 - 55 53 - 55 53 - 55	Six 2000dis 5% - 5% - 5% - 5%	1.432 30	Amstroll Anstrol Belgist Canada Dominer Finland	rk	04/03 04/03 03/07 03/07 03/03 03/03 03/03 03/03 03/03 03/03 04/03 04/03 04/03 04/03 04/03 04/03 04/03	8.750 9.750 5.250 5.000 3.750 5.000 6.000 4.000 4.000 4.000 4.000 4.000 4.000 5.000 4.000 5.000	Price 196,730 125,730 104,480 107,640 104,070 97,230 100,540 107,250 101,430 101,430 101,540 101,540 102,540 109,420 110,570	Vield Vield 4.89 4.89 4.89 4.89 6.00	yield 9 -0.02 3 -0.07 1 -0.10 5 -0.08 5 -0.08 5 +0.01 2 +0.03 2 -0.11 7 -0.09 5 -0.12 3 -0.10 6 -0.12 5 -0.17 6 -0.09	-0.14 -0.20 -0.08 -0.20 -0.17 -0.14 -0.19 -0.17 -0.19 -0.10 -0.10 -0.11 -0.18	-0.4) -0.39 -0.39 -0.39 -0.27 -0.50 -0.27 -0.34 -0.31 -0.30 -0.29 -0.31	-0.19 -0.31 -1.32 -0.84 -0.19 -0.31 -1.30 -0.84 -0.19 -0.31 -1.28 -1.30 -0.80 -1.30 -0.80 -1.38 -1.19
I rnîted		UK IN LONDO! Apr 9 Interbank Steriling (2)s Treasury Bills Local authority	MO deps.	1.6082 1.8089 ST RA NEY R Over- night 5% - 5% 5% - 5%	+0.0042 +0.0042 TES 7 days notice 5½ - 5½ 5½ - 5½ 4 per cent i	1.6100 -1.6100 One month: 5½ - 5½ - 5½ - 5½ - 5½ - 5½	1.5030 Three months 5% - 5½ - 5% - 5½ - 5% - 5½ - 5% - 5% -	Sax months 55 - 54 - 52 - 52	0ne year 52 - 52 - 53 - 54	Australia Belgian Canada Desumer	rk	01-01 08-08 03/01 01/08 03/01 03-09 12/00 11/09 11/09 04/09 04/09 04/09	8.750 9.750 5.250 5.000 3.750 5.000 6.000 4.000 4.000 7.250 4.000	Price 196.724 125.734 104.486 107.644 104.070 97.230 100.540 107.830 107.872 107.540 123.340 107.872 101.430 123.340 123.340 123.340 123.340 123.340 123.340 123.340 123.340 123.340 123.340 123.340 123.340 123.340 123.340	Vield Vield Vield 4.8 4.8 4.8 4.8 4.8 4.8 4.8 4.	yield 9 -0.02 3 -0.07 3 -0.07 3 -0.06 5 -0.06 5 -0.06 5 +0.01 2 +0.03 5 +0.01 7 -0.09 5 -0.12 7 -0.09 1 -0.17 6 -0.17 6 -0.17 6 -0.07 1 -0.07	-0.14 -0.20 -0.08 -0.20 -0.17 -0.17 -0.18 -0.19 -0.15 -0.15 -0.18 -0.18	-0.4) -0.39 -0.39 -0.27 -0.25 -0.24 -0.34 -0.31 -0.30 -0.26 -0.31 -0.33 -0.23 -0.24	-0.19 -0.31 -1.32 -0.84 -0.19 -0.31 -1.30 -0.84 -0.19 -0.31 -1.28 -1.90 -0.80 -1.36 -1.17
Imited		LONDOI Apr 9 Intertrant Sterils Steriling City Treasury Bits Brait Bits Lucal authority Discount Market	MO deps.	1.6082 1.8089 ST RA NEY R Over- night 5% - 5% 5% - 5%	+0.0042 +0.0042 TES 7 days rotics 5½ - 5½ 5½ - 5½	1.6100 1.6100 0ns month 52 - 54 52 - 52 52 - 52 52 - 52	1.5030 Three snorths 54 - 54 54 - 55 54 - 55 53 - 55 53 - 55 53 - 55	Six 2000dis 5% - 5% - 5% - 5%	1.432 30	Amstroll Anstrol Belgist Canada Dominer Finland	rk	03/01 08/08 03/07 03/07 03/09 03/09 03/09 03/09 11/00 04/08 04/06 04/09 04/09 04/09	8.750 9.750 5.250 5.000 3.750 5.000 6.000 4.000 4.000 7.250 4.000 7.250 5.500	97ce 196.73x 125.73d 104.48d 107.64d 104.077 97.23d 100.54d 107.85d 101.43d 107.872 101.53d 107.872 101.53d 107.872 101.570 104.410 114.170 99.400	Vield Vield 4.8 64 5.2 64 5.2 66 6.3 64 6.4 65 6.4 65 6.5 66	yield 9 -0.02 3 -0.07 3 -0.07 5 -0.08 5 -0.08 5 +0.07 2 +0.03 2 +0.03 2 -0.11 7 -0.09 3 -0.10 3 -0.10 5 -0.17 5 -0.17 5 -0.17 5 -0.17 5 -0.17 5 -0.17	-0.14 -0.20 -0.08 -0.20 -0.17 -0.14 -0.19 -0.17 -0.19 -0.10 -0.10 -0.11 -0.18	-0.4) -0.39 -0.39 -0.39 -0.27 -0.50 -0.27 -0.34 -0.31 -0.30 -0.29 -0.31	-0.19 -0.31 -1.32 -0.84 -0.19 -0.31 -1.30 -0.84 -0.19 -0.31 -1.28 -1.30 -0.80 -1.30 -0.80 -1.38 -1.19
		UK IN LONDO! Apr 9 Interbank Sterling COs Treasury Bills Local authority Discount Market UK clearing har	M MO	1.5082 1.5080 SF RA NEY R Over- right 5% - 5% 5% - 5% sting rate 50	#0.0042 #0.0042 #0.0042 7 days notice 5½ - 5½ 5½ - 5½ 4 per cent t Up to 1 month	0ns month 52 - 54 54 - 52 52 - 52 52 - 52 52 - 52 52 - 52 month	1.5030 Three months 574 - 54 54 - 55 54 - 42 52 - 62 53 - 54 1999 3-6 months	Sec. 16.7 1 1.5.7 1.5.1	00e year 53 53 - 53 54 - 54 9-12 sandts	Australia Belghan Camada Denumer Fintand France	rk	03:20 01:01 08:408 03:01 03:03 12:00 05:03 11:09 05:03 04:09 04:00	8.750 9.750 5.250 5.000 3.750 5.000 6.000 4.000 4.000 4.000 4.000 5.000 4.000 5.000 5.000 5.000	Fince 196.730 125.736 104.480 107.640 104.670 97.230 100.540 107.890 107.872 101.540 107.872 101.540 102.420 119.430 104.410 114.170	Vield Vield 4.8 64 5.2 64 5.2 66 6.3 64 6.4 65 6.4 65 6.5 66	yield 9 -0.02 9 -0.07 1 -0.10 5 -0.06 9 -0.08 9 -0.08 9 -0.08 9 -0.09 10 -0.09 10 -0.09 10 -0.09 10 -0.09 10 -0.09 10 -0.09 10 -0.09 10 -0.09	-0.14 -0.20 -0.06 -0.07 -0.17 -0.14 -0.09 -0.11 -0.18 -0.19 -0.15 -0.20 -0.16 -0.18 -0.15 -0.17	-0.45 -0.39 -0.38 -0.27 -0.25 -0.21 -0.34 -0.31 -0.30 -0.29 -0.23 -0.23 -0.23 -0.23	-0.19 yel -0.19 -0.19 -0.13 -0.28 -0.29 -0.21 -0.28 -0.29 -0
ectors		UK IN LONDO! Apr 9 Interbank Sterik Sterikag (C)s Treasury Siles Bank Bills Local authority Discount Marke UK clearing bar Cents of Yax Conts of Yax Conts of Yax	MO MO	1.6082 1.6080 ST RA NEY R Over- right 5% - 5% 5% - 5% sting rate 5%	+0.0042 +0.0042 7 days notice 5½ - 5½ 5½ - 5½ 4 per cent t Up to 1 month	1.6100 1.6100 0ns month: 5½ - 5½ 5½ - 5½ 5½ - 5½ 5½ - 5½ 1-3 month:	Three months: 54 - 54 - 52 - 53 - 53 - 53 - 53 - 53 - 53 - 53	Sar months 55: - 5': 55: - 5': 51: - 5': 6-9 months 6-25	One year 52 - 52 - 52 - 52 - 52 - 52 - 52 - 52	Amstroll Anstrol Belgist Canada Dominer Finland	rk	03:01 03:03 03:03 03:03 03:03 03:03 12:00 05:03 11:00 11:09 04:05 04 04:05 04 04:05 04 04:05 04 04 04 04 04 04 04 04 04	8.750 9.750 5.250 5.000 5.000 5.000 9.000 6.000 4.000 7.250 4.000 7.250 5.000 6.000 4.000 7.250 4.000 5.000 6.000 4.000 7.250 6.000 6.000 7.250 6.000 6.000 7.250 6.000 6.000 6.000 7.250 6.000 6.000 6.000 7.250 6.000 6.000 6.000 7.250 6.000 6.	97:00 196.737 125.738 104.640 107.640 107.650 107.850 107.872 107.872 107.872 107.470	Vield Vield 4.8 4.8 4.8 4.8 4.8 4.8 4.8 4.	yield 9 -0.02 3 -0.07 1 -0.10 5 -0.06 2 -0.12 2 -0.11 7 -0.09 2 -0.11 7 -0.09 1 -0.07 1 -0.07 1 -0.09 1 -0.07 1 -0.09	-0.14 -0.20 -0.06 -0.20 -0.15 -0.17 -0.18 -0.19 -0.11 -0.18 -0.17 -0.18 -0.17 -0.19 -0.15 -0.20 -0.16 -0.18 -0.15 -0.20 -0.16 -0.18	-0.45 -0.29 -0.39 -0.27 -0.21 -0.24 -0.34 -0.31 -0.30 -0.29 -0.29 -0.21 -0.29 -0.29	-0.19 -0.31 -1.32 -0.84 -0.19 -0.31 -1.30 -0.84 -0.19 -0.31 -1.28 -1.90 -0.80 -1.19 -0.90 -1.28 -1.19 -0.90 -1.29 -0.90 -1.29 -0.90 -1.7
ectors loyees		UK IN LONDOI Apr 9 Interbank Starting CDs Treasury Bills Braik Bills Lucal authority Discount Market UK clearing bar Cents of Tax Outs of Tax Apr. Insign pair	deps. (£10 under £200 under £200 under £200 under £200 under £300	1,5082 1,8080 NEY R Over- night 5% - 4% 5% - 5% 5% - 5% ching rate 57	+0.0042 +0.0042 +0.0042 7 days nodes 5½ - 5½ 5½ - 5½ 4 per cert i Up to 1 month 4	1.6100 1.6100 0ne conth 5½ - 5½ 5½ - 5½ 5½ - 5½ 1-3 month 6.5	1.5030 Three shoulds: 54 - 54 54 54 54 54 54 55 55 55 55 55 55 55	Sar materials 55 - 5% 55 - 5% 55 - 5% 6-9 materials 6-25	000 year 52 53 53 53 54 55 55 55 55 55 55 55 55 55 55 55 55	Assirte Belgium Cemada Desumer Fastand France Goreans	rk	03:01 08:08 03:01 03:09 03:09 12:00 12:00 11:00 11:00 04:00	8.750 9.750 5.250 5.000 5.000 6.000 9.000 6.000 4.000 7.250 4.000 7.250 5.000 6.000 4.000 7.250 4.000 6.	906.730 125.730 104.480 107.640 104.670 97.230 100.540 107.830 107.830 107.430	Vield Vield Vield 4.8 4.8 4.8 4.8 4.8 4.8 4.8 4.8 4.8 4.8	yield 9-0.02 3 -0.07 1 -0.10 5 -0.06 2 -0.06 2 -0.12 2 +0.03 2 -0.11 7 -0.09 2 -0.12 5	-0.14 -0.14 -0.20 -0.08 -0.20 -0.17 -0.18 -0.17 -0.18 -0.17 -0.18 -0.17 -0.15 -0.20 -0.16 -0.18 -0.17 -0.19	-0.45 -0.45 -0.27 -0.27 -0.27 -0.27 -0.34 -0.31 -0.30 -0.23 -0.23 -0.23 -0.23 -0.23 -0.23 -0.25 -0.25 -0.25 -0.25	-0.19 yel -0.19 -0.13 -1.30 -0.24 -0.19 -0.31 -1.28 -0.89 -1.100 -0.89 -1.100 -0.90 -1.100 -0.90 -1.100 -0.90
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<u>*</u>	Coor 934pz 2003	118_1200 _		11 107	Wy7 2	9.10 -	Book Filters Years										OF ITED	TURNY 198	Ø: 183.	. 7
<u>ت</u> ا		112.5700 120.0100	02 &	600 Je10			Tireas âps: 2015		1.7	13,787	Je7 De7	Mtt .	4901							_
F	Trees 1334pc 2000-3 -	111/000		506 Med 53 Ja25		22.2 1287	Trees B3epc 2017				Fe25 Au25			Other Fixed Inte	rest					I.
<u>-</u> 1	Tenna 6 J ₂₀₀ 2003	108.0900	0.3 TJ	987 147	Di7 3	D.11 -	Esch 12ps; 2013-17_	_∳ 179.2 50 0	10		Je12 De12		-					hiterati		
n (Treas 11 20c 2001-4	112,0300 .	-3 13	620 Se19	M-18	15.3 1290	Treas Apr. 2021	149.1000	1.9		Je7 De7		_		Price £	·	Es.	de	Legg :	CBy -
_]	1000 DAYY	123 6200	0.2	23 lb18	Ny 18	2 11 -	Tream ёрс 2028	T25.7900	21	5,000	De7 Je7	30.11	_	Asiat Des 104pc 2009	1384			_=_		==
ı-							Outstad							B7400 11 Japa 2012	1351 ⁵	_		124 Se24		٠.
- 1	Fire to Filtery Years						Corrects 4pc	84 1100						Loods 17 less 2000	147			715 10 -15		
Į	Funding \$1 ₂₀₀ ; 1988-4 .		-3 :	543 Ja14	Je14 1	ti i :274	War I non Share	20 0000			Art Fet	35.1	178			11.5			15.3 8	146
J	Com 9 ¹ 272 2004		L6 3/	H2 ABS	0c25 T	9.10 1246	Com 31 ₂₀₀ '61 A2	- 100500	26	1.303	,51 (M)		1005	LC:36:70#	56			Ap.lyOcale	1.3	- 5
	Tream 8 lapt 2004						Tress Spc '69 Aft	59 6300		112		ريم	IZ43	Mancheder 111 von 2007	738 <u>m</u>			Mr.JeSeDe	12	~
- 1	Bich 10 ³ 20c 20054	132,4700	15 4,2 15	23 M/20	AD18 Sean •		Cornols 2 ¹ 20c	54.6300	28		Apá Ocs	223	324	Had Mr. 20. 20		_	25.	p25 0x25 Mr1 Se1		
_ {	Texas 125 per 2003-5	132,0800	12 22	200 10021	16/21 I	2.11 1296	Trees. 21 ₂ pc		3.1	276	manufact.	38.3		Trade Angle Proc. L. 2021	1904				12 3	10T '
_	O Ten' stock All (# 170-	-	:					53,6900	3.0	4/5	Api Dai	29.3 1	1315	414pc L 3024	1802	1.4	90.3	230 NO. 3	#12	-
- 1	● "Jap" stock, All UK (Bla Friday tasak. 🏚 judies@we j	prize	-		-	and E And	2020 000年 20 日 40年	end, Closing suit	prices:	E etc	wa 12 page	€s per !	E100 =	CONTROL OF Mark Marks			av A	الكاانسا	82	-1/
- 1	- '	-									•				SCHOOL S	ر عدوات	وأون وا	-	Friday (





EQUITIES

Price and growth data may stifle rate joy

EUROPEAN OVERVIEW By Arkady Ostrovsky

As the impact of the 50 basis points cut in euro-zone inter- for others - Spain for est rates by the European Central Bank settles in, the markets's focus will shift to

tion and economic growth cerned with European infla-

Dec 98

97.380 97.240 97.300

97.170

Francis (A.)

Sett orice

97,385 97,380 97,170

97,265

97.365 97.380 97.170

THREE MONTH EURO LIBOR OPTIONS (LIFT) &1m 100-rate

+0.155 +0.120

+0.155 +0.120 +0.110 +0.090

TOP 100 BADEX FUTURES (LIFTE) 620 per tull index point

MI EURO STYLE FISE SERVICEP 100 MIDEX OFFICIAL (AEO \$10 per Index po

IONTA EURO LIBOR FUTURES (LIFFE) €1 pp. 100-rado

97.390 97.395 97.240

97.370

High

97,360 97,365

97.155

97.370

Low

indicators in the different tion data, particularly that will intensity the pressure," economies mean that the of Spain. central bank's cut may be more suitable for some countries such as Germany than

Investors will today scrutinise German industrial proeconomic data from individual member countries this and February for any signs of economic stabilisation. Disparities between infla- Markets will be also be con-

"The turnaround in energy

prices and on-going high likely increase inflation (in spreads between euro-zone Spain) to a level not seen countries, said Mark Cliffe, since last summer," says a at ING Barings, who also research note by Deutsche argued that higher inflation

"Ironically, the single cur-rency reinforced the diver-gence between European Market analysts will also

FTSE Actuaries Share Indices

said Robert Lind at ABN ECB in this rate cycle as

This was unlikely to widen and growth in poorer coun-

comments by Wim Duiseninflation in services will government bond yield and Jean-Claude Trichet, the France, indicate. Indeed. some analysis argue the next move in interest rates by the ECB could be upwards in the longer term. "If the ECB was so activist on the way down, it could be similarly activist on the way up," said Mr Lind. The conflict in Kosovo bas so far had limited impact on

the markets, but as the bombing moves into its third

week, analysts and markets

strategists will begin to calculate the budgetary costs of fighting a prolonged war. The FTSE Eurotop 100 index ended the week 2.5 per cent higher at 3,003.76, while the Eurotop 300 rose 2.7 per cent to 1,280.01. The FTSE Ebloc 100 index added 2.5 per

EURO SPOT FORWARD AGAINST THE EURO -4.4 38.5526 -0.4 7.4595 -8.2 829.2600 -12.7 261.6557 -4.3 39.8431 -9.4 7.4547 -8.2 341.8835 -12.8 294.4258 -3.7 8.8252 38,3000 7,4358 324,660 254,020 8,4190 4,2035 37,5940 7,4320 323-207 250,370 8,3679 4,2585 38.2799 7.4347 325.9404 28.3514 45.0810 8.9515 1.8014 42.3274 8.9179 1.5851 -0.0080 789 - 776 -0.0261 388 - 434 -0.0023 194 - 215 +0.0865 258 - 434 -0.0057 773 - 780 1.0906 1.8490 1.6215 10.3783 1.0813 1.8350 1.8575 10.3889 1.8731 1,7148 8,3675 46,2702 96,51,82 1.7208 8.4074 46.9830 10109.23 1.7074 8.3426 45.7742 9286.80 4.0783 2.0733 41.2070 4.0842 1.8617 6.8478 1317.54 40.522 40.5320 40.5320 -0.0241 100 - 138
-0.040 487 - 532
-0.0219 659 - 059
-36,7800 558 - 356
-0.0254 398 - 526
-0.0258 172 - 235
-0.0218 172 - 235
-0.0228 183 - 647
-0.0228 683 - 647
-0.0228 683 - 647
-0.0268 682 - 685
-0.0660 687 - 771
-7.4700 754 - 861
-0.0716 587 - 580
-0.0657 297 - 640
-0.0657 297 - 640 8.3977 46.1575 9513.35 4.3714 130.900 4.1067 2.0258 41.7925 4.0564 1.8725 6.8831 1322.97 35.7850 41.0570 41.8357 4.0520 1,8558 6.7345

		MENDES			bine	0000 %		16mmol €
•	-	FISE Exercise 300	1294.54	+0.78	+9.97	1.89	5.02	1338.43
		FISE Exector 100	3003.76	+0.56	+16.68	1.88	11.53	1061.15
كسو		FISE Eurobios 100	1058.87	+0.60	+5.30	191	1.39	1075.30
•		FISE Euroldid	1254.82	+£1.78	+9.73	2.73	7.07	1307.81
		FISE Eurobild Eurobice	1217.29	+0.13	+1.60	2.52	4.50	1247.72
		FTSE Burollidi Br UK	1276.85	+0.35	+4.55	233	4.07	1304.77
		LOS DELINETE DE SIK	1210.03	70,30				100-517
		PTSE Burotop 300 Region	10-					
		Eurobioc	1321.42	+0.59	+7.79	1.85	2.08	1351.98
		Lik .	1265.39	+1,17	+14.59	215	10.21	1340.08
		Europe Ex-Europice	1278.20	+0.96	+12.17	1.23	7.96	1832.68
		Europe Ex-LIK	1311.82	+0.55	+7.22	1.75	212	1338.43
				TURN	7122	1.73	214	1330.70
. A	bt :	FISE Excite indutty 9	iciais					
		RESOURCES	1014.28	+0.79	+7.94	2.75	3.69	1065,18
		läring	1003,19	+1,87	+18,44	3.43	21,37	1049.58
		CALL Bass	976.56	+0.74	+721	2.72	2.52	1003.65
		RASIC MOUSTRES	1152.48	+2.05	+23.12	249	6.95	1184.62
		Chemicals	851.54	+2.48	+21.31	242	2.93	900.44
		Construction & Bid Made	1071,60	+0.84	+8.68	· 2.20	3.05	1084,24
Est. Wol	Open Int.	Forestry & Paper	954.S1	+3.47	+13.81	4.06	38.88	1038.57
110081	210982	GENERAL MENUSTRIALS	1184.51	+0.20	+2.34	231	5,60	1215.77
91695	223163							
21625	117116	Aerospace & Defence	793.00	+0.96	+7.53	2.10	394	807.87
32218	96719	Civersited Industrials	996.25	+0.07	+0.74	2.04 、	0.00	1019.04
02219	30110	Electronic & Elect Equip	1102.92	+0.15	+1.50	1.71	8.A6	1119.62
		Englacering & Machinery	1092.13	+0.25	+2.77	4.02	5,83	1113.59
Est. voi	Open štit.	CTELECAL COMS 6000S	1337.12	+2.38	+31.15	225	0.63	1374.56
_								
406	105488	Automobiles	981.32	+2.73	+28.11	2.30	0.53	290,98
ß	92917	Household Goods & Texts	1398,35	+0.89	+12.34	2.04	0.00	1410.29
40	63198	NON-CYC COMS SOCOS	1231.73	-8.52	-6.40	1.48	5.81	1271,67
23	83914	MUNTELL COME SOURS						
		Benestagea	927.07	+0.38	+3.47	2.45	10.32	957.66
		Food Producers & Processe	889.08	+0.92	+8.15	1.75	1.41	900.89
ors_—		Health	1084.39	+1.00	+11.67	9.99	0.00	1100.62
Dec	Mar	Packtyling	795.D4	+1.49	+11.69	1.13	0.00	796.03
		Personal Care & Has Prods	1183.90	+1.19	+13.88	0.91	1.94	1196.02
0.315	0.255	Pharmaceuticals	1142.66	-1.44	-16.69	1.20	522	1154.22
	-	Tobacco	1295.78	+0.18	+2.29	3.36	26.75	1346.63
0.505	0,420							
maga	UAZU	CACTICIT SERVICES	1356.98	+1.38	+18.52	1.80	4.75	1401.76
		Distribuiors	609,49	-0.36	-1.B3	1.54	0.00	616.34
		General Rebillers	1134.85	+2.12	+23.60	1.86	3.84	1161.58
Est. voi	Open ist.	Leisza Editatus & Holds	1029.37	+1.87	+18.85	1.86	8.72	1053.50
	-•	Media & Photography	1261,39	+0.86	+10.79	1.67	6.39	1281,49
95	5789	Rests, Pubs & Breweries	860,37	+1.73	+14.61	271	3.71	889.47
		Support Services	1070.52	-D.44	-4.73	1.21	1.10	1082.97
		Transport	1004.09	+3.16	+30.96	2.25	5.16	1027.96
olot								
		MON-CYCLECAL SERVS	1425.57	+0.18	+2.56	1.15	0,48	1457,82
3998	3950	Food & Drag Rataliers	1084.62	+0.43	+4.54	1.72	0.51	1101.72
C P	G P	Telecommenications Servs	1415.35	+0.13	+1.83	1.05	0.43	1436.92
34.40	15 72							
S 104	71 130	TILITES	1394.25	+1.05	+14.48	2.85	6.20	1484,96
		Sectricity	1060.43	+0.39	+4.12	3.04	557	1099.88
2 (F) HEE	OSE PLA	Gas Distribusion	1176.73	+2.02	+23.29	1.40	1.00	1296.88
				+4.23	+35.24	5.15	5.94	914.33
		Hata:	857.85					
		FINANCIALS	1350,53	+0.98	+13.53	2.04	6,74	1435.53
Since can		Backs	1003.25	+1.20	+11.89	2.37	6.58	1024.90
	ros America		1016.97	+0.45	+4.55	1.32	1.97	1031,22
- 		Instance		+0.40	+7.58	1.74	455	1156.75
		Life Assertace	1137.33				0.00	
3072.49	2433 57	investment Completes	1051_33	+4.50	+46.66	2.14		1086,79
3685.26	2419.23	Real Estate	763.52	+4.37	+31.56	276	7.57	785,22
线线系	519.78	Speciality & Other Fin	1027.52	+0.43	+4.37	220	294	1047.71
le.		INFORMATION TECK	1025.70	+2.53	+25.98	0.81	4,42	1035.13
٠.								1165.59
		Information Tech Studience	1155.66	+3.18	+34./1	6.89	8.24	
		Softman & Computer Stay	734.29	+0.75	+5.58	0.53	0.15	738.17
					_			_

	_		щ,	_					
INTEREST						<i>:</i> '	•		
Var 09	(1967) (1964)	⊩E Ask	£S Bed	Eg Jek	Serf Eld	r Ask	Bid Bid	a Ask	Yı Bid
7 3000	2.75	2.78	5.24	5.27	1,14	7.18	5.18	5.19	0.21
2 year ·	2.86 3.03	2.90 3.07	5.26 5.32	5.30 5.36	1,42	1.50	5.32	5.35	0.33 0.52
3 year I rear	3.03	3.07	5.33	5.37	1.51	1.79	5.42 5.49	5.45 5.52	0.74
i yeer	3.41	3.45	5.31	5.35	2.1B	2.26	5.55	5.58	0.96
year .	3.60	3.64	5.29	5.33	2.39	2.47	5.61	5,64	1.19
year	3.78	3.52	5.26	5.30	2.58	257	5.85	5.68	1.40
year Year	3.55 4.10	3.99 4.14	5.25 5.25	5.29 5.29	2,77 2,94	2.65 3.02	5.88 5.73	<i>5.7</i> 2 5.76	7.58 1.73
D veer	4.20	4.24	5.25	5.29	309	3.17	5.7B	5.70 5.81	1.87
2 year	4.36	4.40	5.25	5.30	3.33	3.43	5.B5	5.88	211
5 year	4.57	4.61	5.26	5.31	3.58	3.68	5.97	6.00	234
û ytar	4.79	4.83	5.27	5,32	3.83	3.93	8 0 .8	6.09	2.54
	4.00	4 60-	-		D-00				
10 year 10 and ask nates galest 8 months L tero/Sudas Poute q c the 1 year rate w	for, 2 m poted on mich is g	nd Yen (assupi i poted ag	pusited (pusited (in in sean 360 bes	ni-emus is again	i actual/ et 8 moi ber.	365 beni ata Eurib Source: i	is agains ec/Libor intercapi	2.67 st 6 to with the
25 year of yea	4.96 as of th floor, 2 as poted on which is a	5.00 pse of I pd. Yen assural I poted ap	5.27 London I Quotad o cond 30/	5.54 business in a sen 360 bes	4.03 US S ni-amus is again	4.13 le quete l actual et 6 moi ter.	6.08 ej anne, 365 ben en Eurik	6.11 d money de ageins de/Libor intercação	2.67 st 6 to with the
10 year lift and ask naies galest 3 months L strofswise Peace of t the 1 year nate w	4.96 as of th floor, 2 as poted on which is a	5.00 pse of I pd. Yen assural I poted ap	5.27 London I Quotad o cond 30/	5.54 business in a sen 360 bes	4.03 US S ni-amus is again	4.13 le quete l actual et 6 moi ter.	6.08 el arres 365 bea en Euro Source:	6.11 d money de ageins de/Libor intercação	2.67 actual at 6 ac with 10 act Eur
10 year lift and ask naies galest 3 months L strofswise Peace of t the 1 year nate w	4.96 as of th floor, 2 as poted on which is a	5.00 pse of I pd. Yen assural I poted ap	5.27 London I Quotad o cond 30/	5.54 business in a sen 360 bes	4.03 US S ni-amus is again	4.13 le quete l actual et 6 moi ter.	6.08 el arres 365 bea en Euro Source:	6.11 d money de ageins de/Libor intercação	2.67 st 6 to with the
id and ask mass galest 8 months L profession Franc q d the 1 year rate w Euro bond y Per cent	4.96 as of th floor, 2 as poted on which is a	5.00 pse of I pd. Yen assural I poted ap	5.27 London I Quotad o cond 30/	5.54 business in a sen 360 bes	4.03 US S ni-amus is again	4.13 le quete l actual et 6 moi ter.	6.08 el arres 365 bea en Euro Source:	6.11 d money de ageins de/Libor intercação	2.67 st 6 to with the
10 year 10 and selt rates gainer 8 countles L 10 and selt rates gainer 8 countles L 10 to 1 year rate w Ethro bond y Per cent 5.5	4.96 as of th floor, 2 as poted on which is a	5.00 pse of I pd. Yen assural I poted ap	5.27 London I Quotad o cond 30/	5.54 business in a sen 360 bes	4.03 US S ni-amus is again	4.13 le quete l actual et 6 moi ter.	6.08 el arres 365 bea en Euro Source:	6.11 d money de ageins de/Libor intercação	2.67 st 6 to with the
id year id and sek rates gainst 3 months i morrowater number of the 1 year rate a Entro bond y Per cent	4.96 as of th floor, 2 as poted on which is a	5.00 pse of I pd. Yen assural I poted ap	5.27 London I Quotad o cond 30/	5.54 business in a sen 360 bes	4.03 US S ni-amus is again	4.13 le quete l actual et 6 moi ter.	6.08 el arres 365 bea en Euro Source:	6.11 d money de ageins de/Libor intercação	2.67 st 6 to with the
10 year 10 and selt rates gains 8 months L 10 fibre 1 year rate w Elitro bond y Per cent 5.5	4.96 as of th floor, 2 as poted on which is a	5.00 pse of I pd. Yen assural I poted ap	5.27 London I Quotad o cond 30/	5.54 business in a sen 360 bes	4.03 US S ni-amus is again	4.13 le quete l actual et 6 moi ter.	6.08 el arres 365 bea en Euro Source:	6.11 d money de ageins de/Libor intercação	2.67 st 6 to with the
10 year 10 and selt rates gainer 8 months L armorBacker rates of the 1 year rate w Euro bond y Per cent 5.5 -5.0 4.5 4.0	4.96 as of th floor, 2 as poted on which is a	5.00 pse of I pd. Yen assural I poted ap	5.27 London I Quotad o cond 30/	5.54 business in a sen 360 bes	4.03 US S ni-amus is again	4.13 le quete l actual et 6 moi ter.	6.08 el arres 365 bea en Euro Source:	6.11 d money de ageins de/Libor intercação	2.67 st 6 to with the
10 year 167 and selk states to guillant 8 mentes to sarofaden Founc qu 1 the 1 year rate w Eithro bond y Per cent 5.5 4.5 4.5	4.96 as of th floor, 2 as poted on which is a	5.00 pase of ind Yen of sensual is postered and	5.27 London I Quotad o cond 30/	5.34 breiners in a sen 360 bes monte S	4.03 US S ni-amus is again	4.13 le quete l actual et 6 moi ter.	6.08 el arres 365 bea en Euro Source:	6.11 d money de ageins de/Libor intercação	2.67 st 6 to with the
10 year 10 and selt rates gainer 8 months L armorBacker rates of the 1 year rate w Euro bond y Per cent 5.5 -5.0 4.5 4.0	4.96 as of th floor, 2 as poted on which is a	5.00 pse of ind Yen assured approved ap	5.27 Justin I Quited e gens 3 d	5.34 breiners in a sen 360 bes monte S	4.03 US S ni-amus is again	4.13 le quete l actual et 6 moi ter.	6.08 el arres 365 bea en Euro Source:	6.11 d money de ageins de/Libor intercação	2.67 actual at 6 ac with 10 act Eur
10 year 167 and sek setes 167 and sek setes 158 annutes L 158 annutes 158 annute	4.96 as of th floor, 2 as poted on which is a	5.00 pse of ind Yen assured approved ap	5.27 nostra i quota e quota 30 garax 3	5.34 breiners in a sen 360 bes monte S	4.03 US S ni-amus is again	4.13 le quete l actual et 6 moi ter.	6.08 el arres 365 bea en Euro Source:	6.11 d money de ageins de/Libor intercação	2.67 st 6 to with the
10 year 10 year 10 and selt rates gains 8 marchs L grant Baller Baller 11 bet 1 year rate w 12 cent 13 cent 14 cent 15 cent 16 cen	4.95 as of the foot, £ as until the foot, £ as unti	5.00 cs ci i rd Yen ci rd	5.27 nostra i quota e quota 30 garax 3	5.34 breiners in a sen 360 bes monte S	4.03 US S ni-amus is again	4.13 is quote in actual in	6.08 el arres 365 bea en Euro Source:	6.11 d money de ageins de/Libor intercação	et 6 se with the test Euro

						Day's	Mth's	Sprd
1 An	Rad	O	SEP	跳	Bid	cage	chips	¥
Apr 09	de	Coupn	Rating	price	yest	yki	Ma	GOVE
								•
UK	01/01	4.250	AAA	102.867	2.59	-0.17	-0.55	-0.
Denmark	01/02	4,750	AA+	104,355	3.06	-0.09	-0.25	+0.
Sweden	02/01	5,000	AA+	103.640	291	-0.11	-0.31	+₽.
Greece	11/06	6.750	88E	115.883	4.25	-0.95	-0.33	+0.
III SUPRAMATION	1 \$							
ADB	10/07	5.500	AAA	109.622	4.13	-0.06	-0.37	+0
56	04/08	5.000	AAA	107.398	4.01	-0.05	-0.24	+0.
Eurofine	12/09	5.625	AAA	110.873	4.33	-0,06	-0.34	+0.
World Bank	04/05	7.125	AAA	118.505	3.63	-0.06	-0.28	+0.
EDF	10/03	3.750	n/a	102.380	3.18	-0.07	-0.31	+0.
TEPCO	02/03	4.750	AA	104,198	3.56	-0.08	-0 <u>.22</u>	+0.
Qualec Hydro	03/08	5.375	A+	105.526	4.43	-0.05	-0.36	+0.
Horsk Hydro	10/29	7.250	A	101.809	3.26	-0.09	-0,36	+0.
THE PREAMCHALS								
Bad Wurd	05/10	5.375	AAA	108.851	4.33	-0.06	-0.28	+0.
OKB	09/07	5.750	AAA	112.225	4.01	-0.07	-0.29	+0.
Credit Local	04/08	5.250	AA+	107.526	4.22	-0.05	-0.34	+0.
Abber Hall	01/08	5.000	AA-	102.992	4.61	-0.06	-0.32	+0.
E DIDISTRIALS								
Unilgyer .	10/01	5.125	AAA	104.713	3.12	-0.10	-0.30	+0.
McConsids	03/08	5.125	AA .	106.503	4.24	-0.05	-0.29	+0.
Philip Moros	06/08	5.625	Ā	105.411	4.88	-0.05	-0.23	+1.
BAT by Fo	07/06	5.375	A-	104.378	4.65	-0.05	-0.36	+1.
III PFANDSREFE								
Rhein Hypo	12/01	5.500	a/a	105.190	3.01	-0.10	-0.31	+0.
Eurohypo AG	01/04	5.000	n/a	106.959	3.39	-0.08	-0.29	+0.
Bayer Versins	01/06	6,000	19/2	113.317	3.77	-0.07	-0.28	+0.
D op fa	07/08	4.750	u/a	104.554	4.14	-0.07	-0.24	+0.
Gebert.	04/07	10.125	B+	115.000	6.14	+0.00	-0.08	+2
Cott Telécou	11/07	8.875	n/a	105-365	7.84	+0.13	+0.01	+4.
Impress Metal	05/07	9.875	В	111.500	7.14	-0.08	-0.21	+3.
Recent Colobrated	07/05	10.000	B≠	707.000	8.53	-0.18	~1.90	+5.

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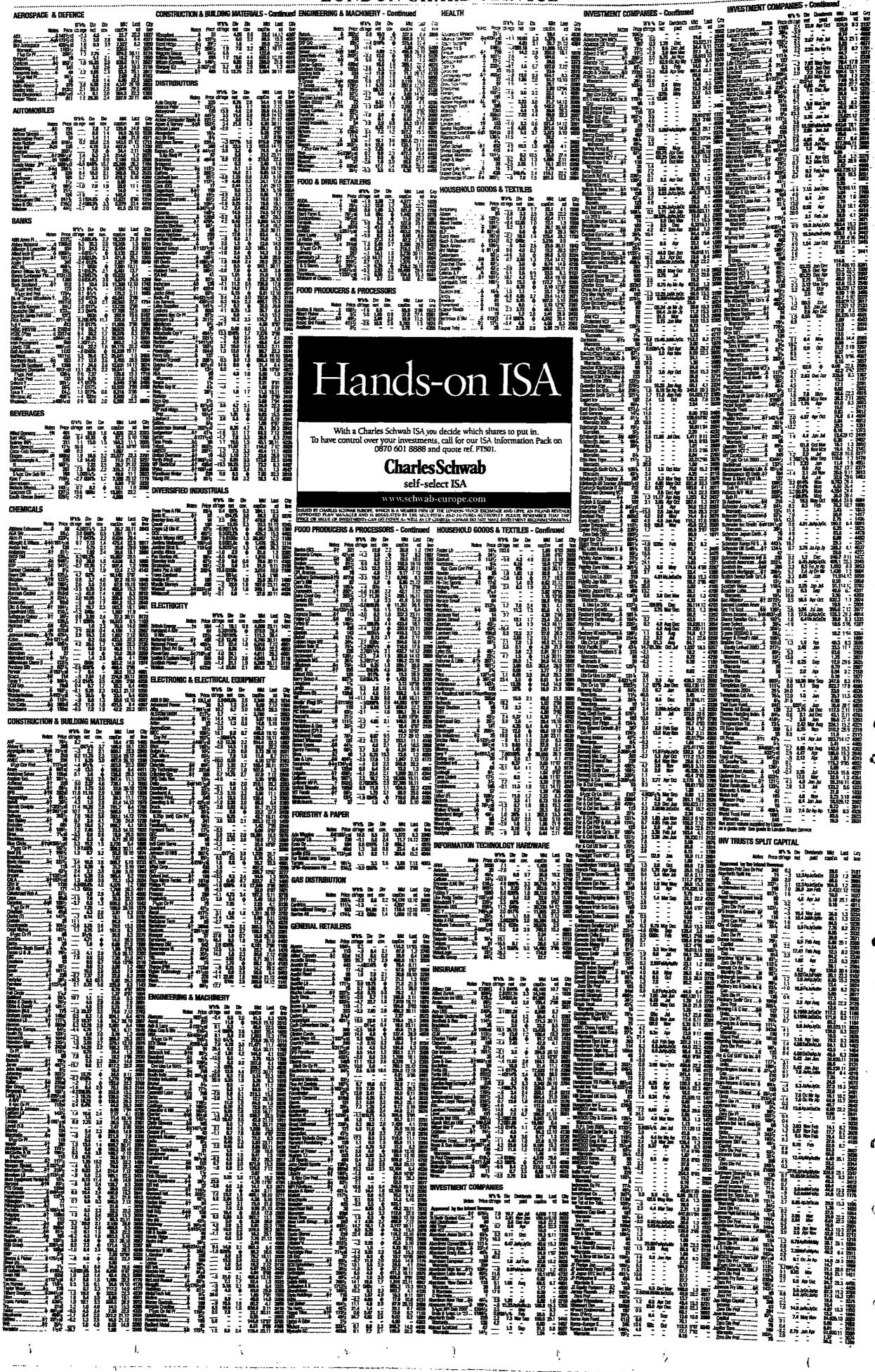


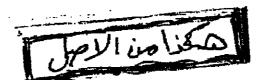
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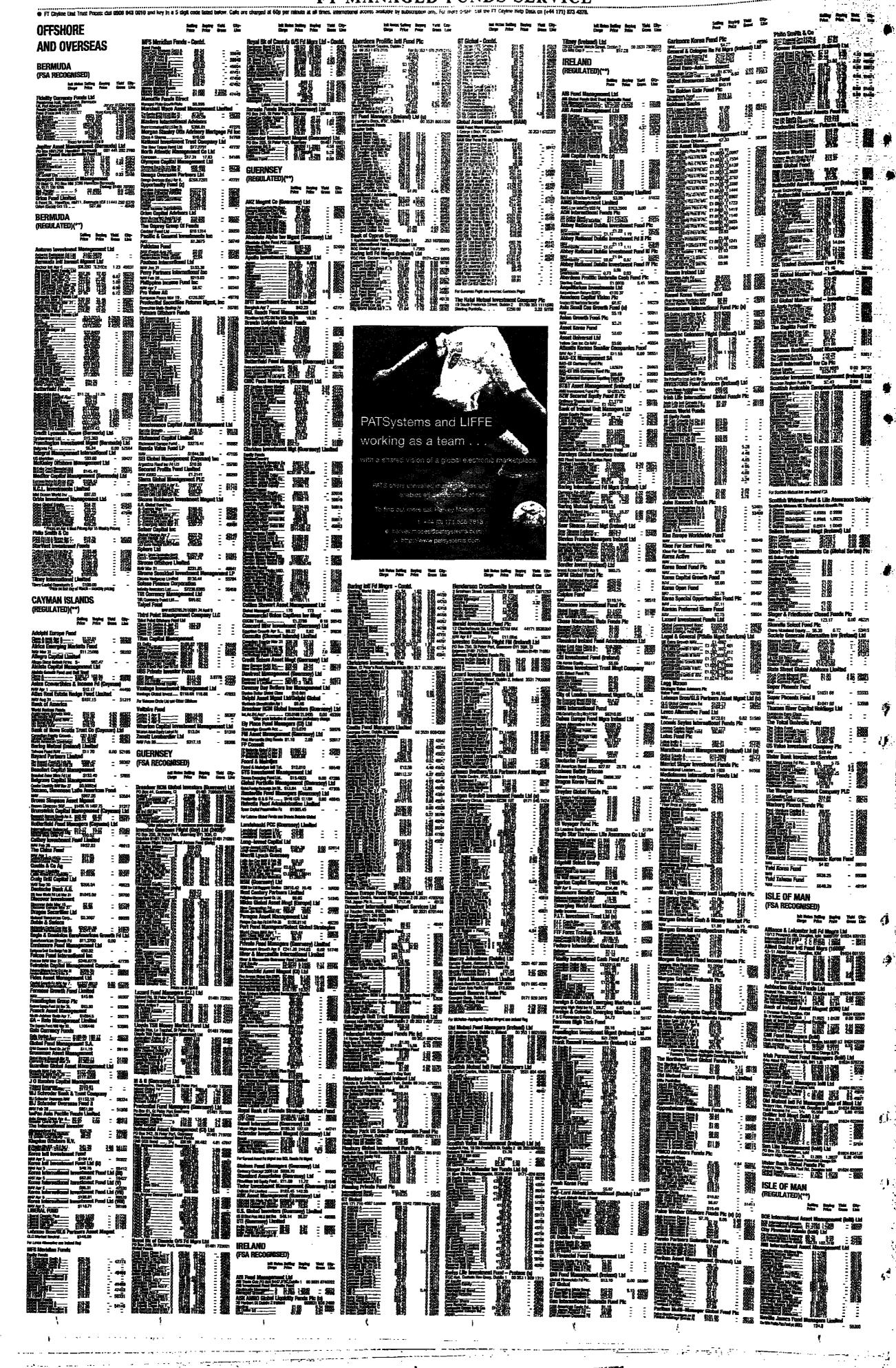
€ 5,000,000,000 **MULTI-CURRENCY** COMMERCIAL PAPER PROGRAMME

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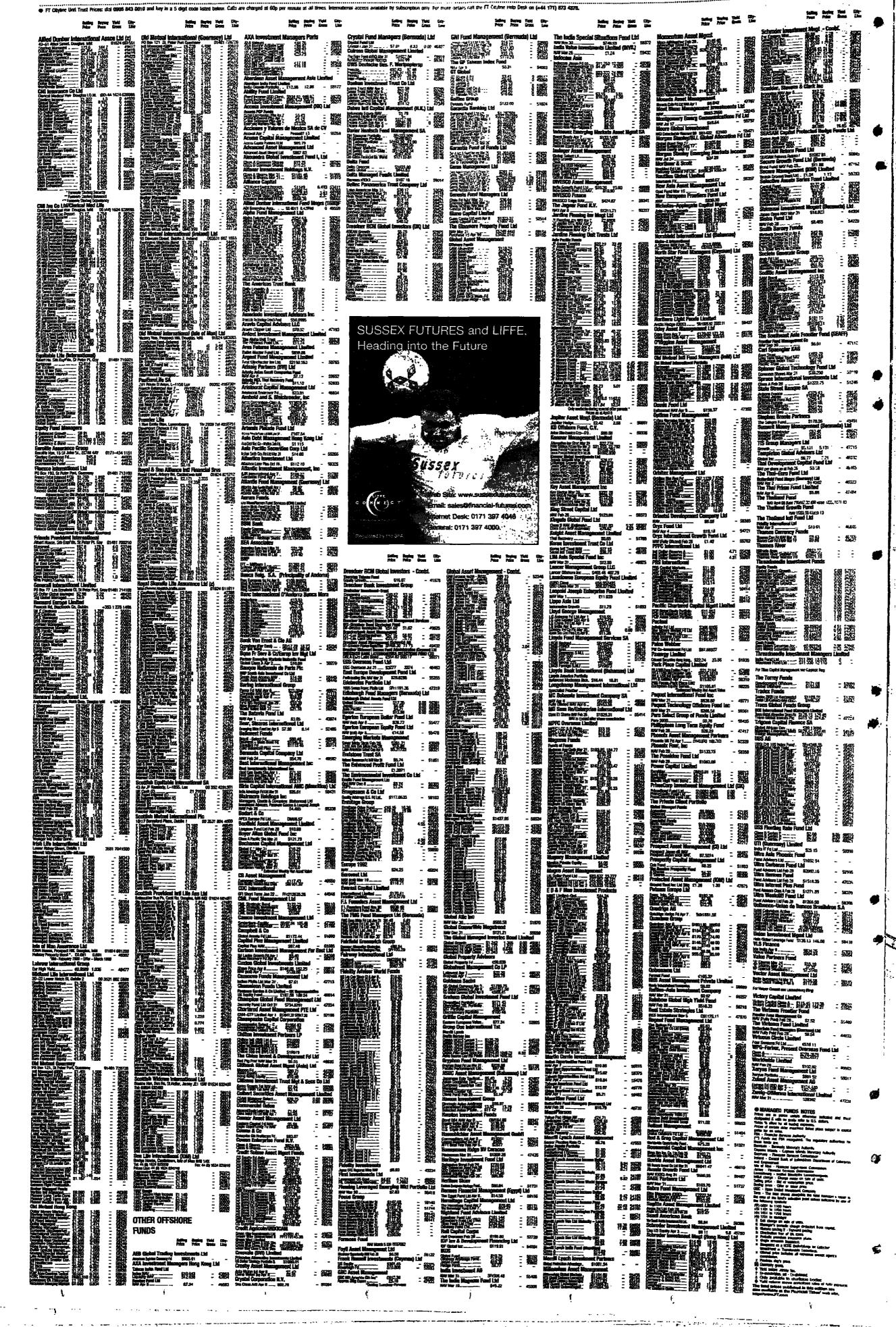
FINANCIAL TIMES MONDAY APRIL 12 1999

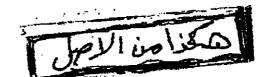
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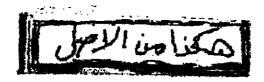
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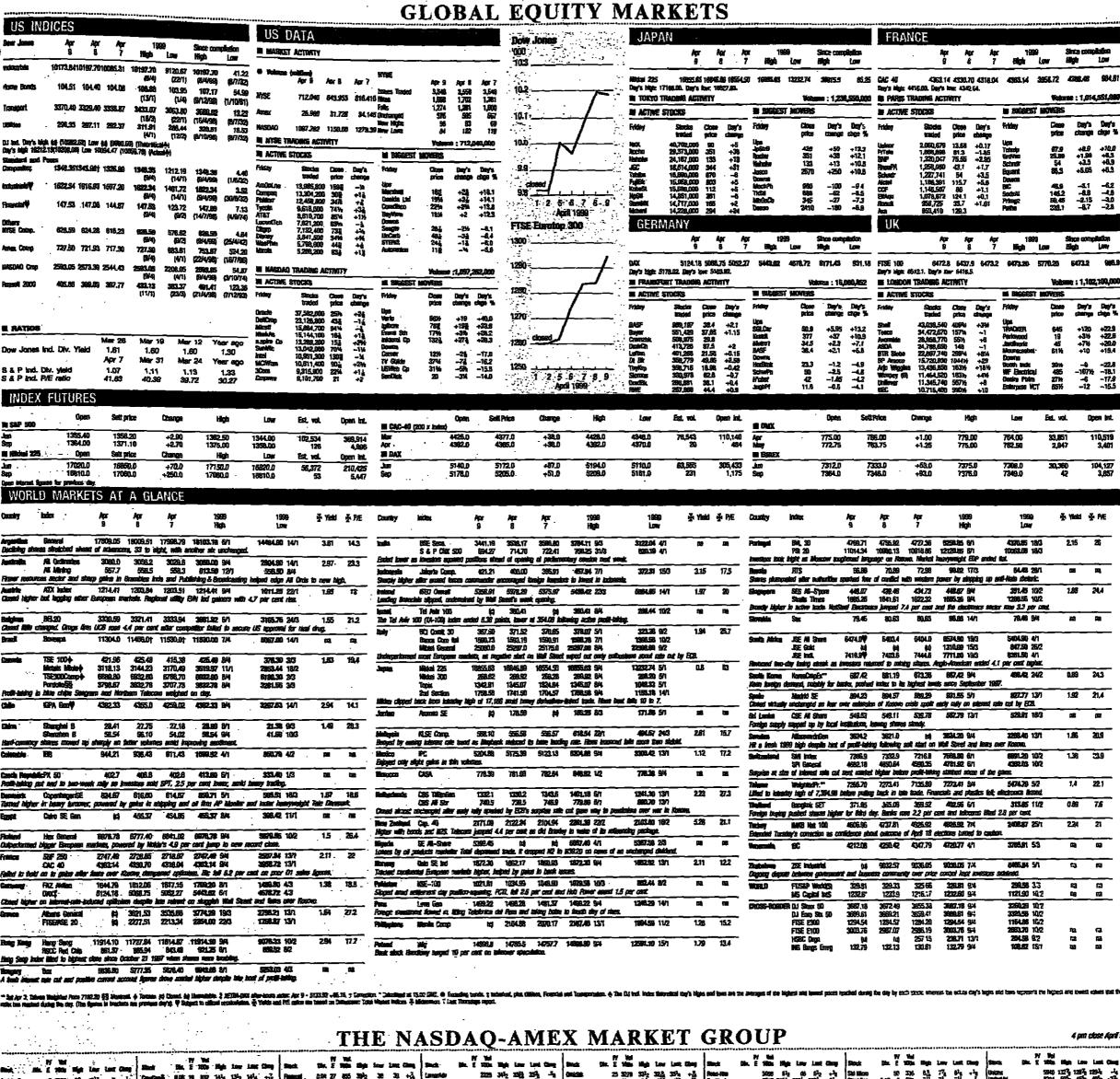
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+/- Nap Law Yel Pre EUROPE (EMU) Prices in € ARKTERA (Apr 9) 1 € = 13.78020 Sch ARKTERA (Apr 9) 1	+1- Figh Line Yis Pri	+/- Maph Lawr Yid PE 5.50 +50 57.10 33.65 23 13.5 Method 30.5 +3 250 140 1 -	+/- Rep Lew Yol PE -/- Re	AS 12 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1
Actomas 348.90 +7.80 40.58 265.20 0.7 29.5 Abrual 6.650 +8.9 93.20 55.00 1.1 35.3 Abrual 7.655 +2.10 19.37 48.93 1.3 Audin 32.25 +7.5 32.17 33.47	West 239.26	Color 1.18 47.20 22.15 23.15	The law is the first	11.5 1.75 1.75 1.75 1.75 1.75 1.75 1.75
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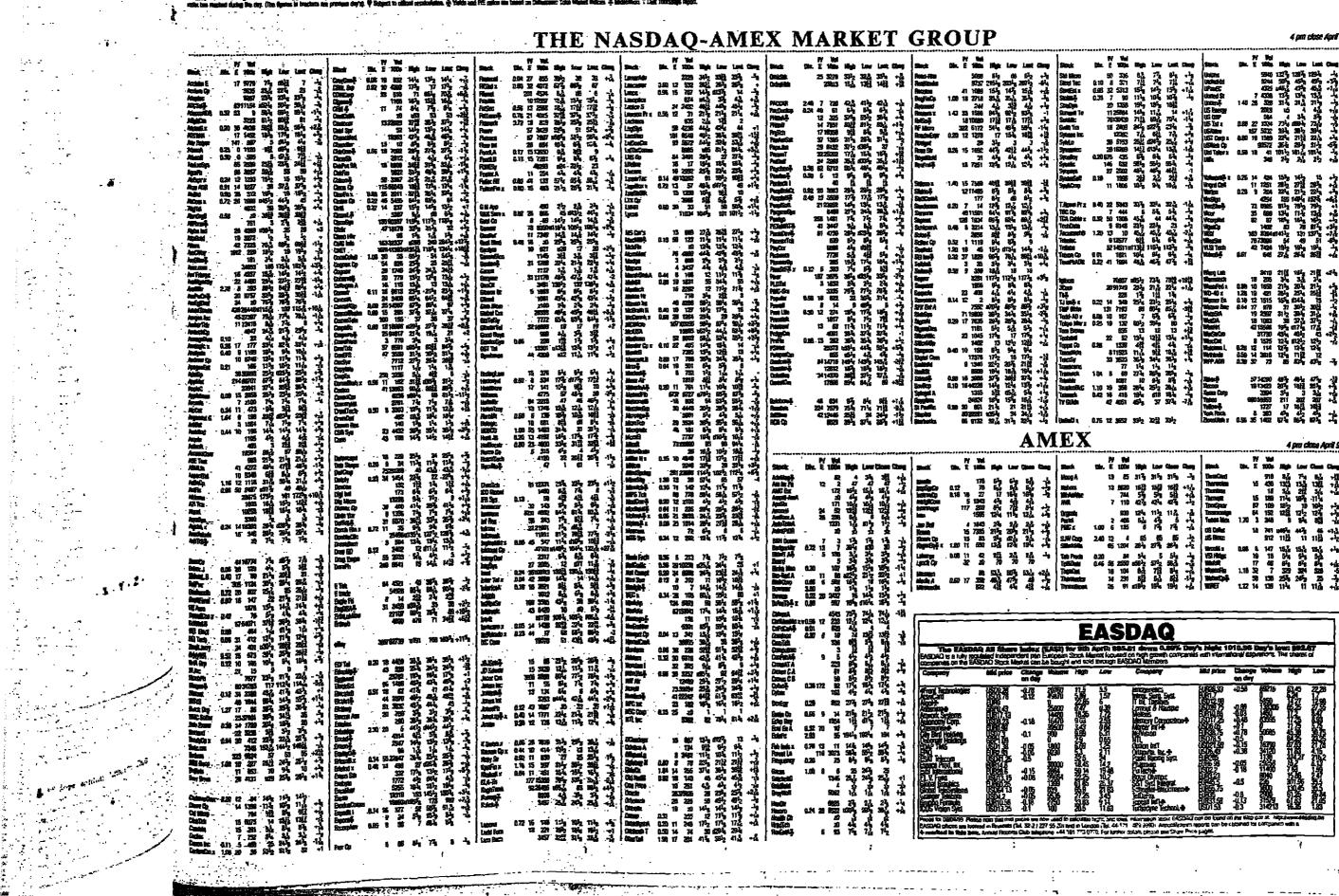
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Figures in perestitates	·US-	Day's . . (3:2002)	Peund Sterfice	- Yeo	Earo	Custoncy	% chg	Dir.	Dollar Indek	Sterfing Index	Yeu ladez	Euro Index	index	High	LOW	(approx)	ī
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ař stock			202.68	168.02	234.54	231.93	· (L1	3.25	217.56	200.24 169.75	166.51 140.98	231.23 172.97	172.97	251.73	165.27	222.30	
Acistralia (75)	219.51 185.09	0.9 0.4	170.91	147.58	174.51	174.51	0.9	2.02 1.96	184.44 372.68	343.01	284.88	342.20	342.20	445.95	319.89	320.83	
Augiria (21)	372.10	: -0.2	343.58	284.83	343.48	343.48 485.68	0.4 -1.8	4.52	149.68	137.76	114.42	159.09	474,57	259.34	89.32	264.13 243.21	i
Belgium (22)	148.23	-1.0	136.87	113.46	158.38	240.61	-1.1	1.63	224.34	206.48	171.49	238.44	249.31	248.78 537.33	159_94 406.62	516.50	
Brazil (29)	220.98	-1.5	204.04	169.15 : 339.27	236.12 473.58	415.75	0.9	1.78	447.50	406.35	337.49 535.11	469,24 806,23	411.90 806.23	719.82		390.98	1
Denmark (34)	443.22	. 0.4 . 2.8	409.25 864.45	550.84	533.20	833.20	3.4	1,48	700.03 329.93	644,29 303,66	252.20	313.34	313.34	354.45		302.58	
Roland (29)	719.52 331.62	. <u>26</u>	306.20	253.84	316.62	316.62	- 1.1	1,94 1,51	259.73	239.05	198.54	243.76	243.76	325.51	226.35	284.65	ì
France (74)	260.96	. 0.5	240,95	199.75	246.21	246.21 917.92	. 1.0. .0.0	1.21	427.47	393.43	325.76	454.33	917.92	454.89		341.67	1
Germany (55)	425.56	-0.4	392.94	325,74	454,70 368,50	343.08	21	3.30	337,74	310.85	258.17	358.97	335.96	\$44.88 64.52		50.43	
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Hong Kong, Chine (66)	47.94	6.3	44.26 497.42	412.36	554.71	554.71	-0.7	1.85	545.36	501.94 160.24	416.88 133.08	558.60 232.37	232.37	192.54		165.82	
ireland (14)	538.71	-1.2	158.03	131.01	229.65	229.95	-12	1.51	174.10 116.33	107.06	· 88.92	123.54	88.52	116.33	76.83		
Naty (53)	171.15	-1.7 -0.6	106.72	88.47	123.49	88.47	-0.5	0.83 1.55	1586.51	1441.79	1197.46	1664.96	16228.22	1733.73			
Janes (443)	115.58 1559.88	-0.4	1440.31	1194.02	1686.71	16355.64	. 0.8 . 0.0	2.09	492.27	453.08	375.30	457.01	457.01	562,73			
Mexico (29)	1559.00 489.84	-0.5	452.30	374.95	457.15	457.16 64.21	3.0	-3.73	62.31	57.35	47.63	66.22	62.36	76.03			
Hethertends (26)	64.63	3.7	59.67	49.47	69.05 256.27	253.57	. 0.5	1.54	238.99	219.97	182.69	254.0t	252.24 182.24	357.71 101.69			
New Zeeland (18)	239.85	0.4	221.46	183.59 · 72.86	101.42	. 182.24	0.0	0.81	94.91	- 87.35	72.55	100.88 296.00	296.00				
Norway (37)	94.92	0.0	87.65		296,70	296.70	.0.2	1,10	233.70	215.10	178.65 181.15	251.87	188.69				í
Portugal (18)	233,02		215.16 222.38		257.33	. 192.31	1.8	1.40 3.40	236.98 204.00	218.11 187.76	181.13 155.94	216.82			151.55		
Sincenore (40)	240.63		193.38		723.78	283.37	. 2.2 8.0	1.59	380.93	350.51	291.19	443.19		435.19			
South Africa (34)	209.44		349.84		443.15			200	551.05	507.18		· 585.69	674.73				
Spain (30)	378.88		509,15	422.09	589,20	676.16		1.18	400.17	358.31	305.30	425.32	365.14				
Services (41)	551.43 309.23		368.63		426.57	367.55 37.98		2.19	25.68	23.64	19,53	27.30					
Seizerland (30)	5.7k		23.81		27.55 433.08		. —	227	40L27	372.06		429.67	372.08				
Thailand (26)	405.37		374.25		433.00 593.75			1.20	. 553.84	509.74	423.36	588.64	553.84	555.65	350.12		-
United Kingdom (201)	55.86		513.10	425.36				1 22	492.76	453.53	378.67	523,73	417.96	494.04			
USA (607)			456.17	378.16	€ 7.87			1,23 1,88	362.27			385.04	347.52				j
Americas (778)	494.04		334.72		387.33			-1.76	102.07			103.68					
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FT GUIDE TO THE WEEK

MONDAY 12

Packed parliament

A week-long session of the European Parliament in Strasbourg is certain to be dominated by events in Kosovo and the nomination of Romano Prodi as president of the European Commission. But with only two part-sessions left before the European elections, MEPs will also be trying to clear a big backlog of legislation - 60 reports are listed for debate. Prodi will address MEPs on Tuesday following his nomination by European Union leaders at the recent Berlin summit; the parliament will vote on his appointment next month. Gerhard Schröder, the German chancellor, will brief partiamer on the summit and the Agenda 2000 package of reforms for EU finances and future enlargement on Tuesday. Proposals to extend the working time directive to cover junior doctors, offshore oil workers, fishermen and transport workers will receive a first reading, and the parliament's environment and agriculture committees will deliver a report warning that the BSE crisis is

SPD special meeting

Gerhard Schröder, the German chancellor, addresses a special conference in Bonn of his Social Democratic party. The emergency session was called initially to confirm Mr Schröder as party chairman following last month's resignation of Oskar Lafontaine. But the debate is expected to be dominated by Germany's active role in the Kosovo conflict, which has angered left-wingers in the SPD. The Bundestag will debate Kosovo on Thursday.

Nato emergency session

An emergency session of North Atlantic Council foreign ministers is scheduled to be held at Nato headquarters in Brussels to discuss the refugee problem on the borders of Kosovo and Nato's military strategy in

Pulitzer announcement

Winners of the Pulitzer prize will be announced at the University of Columbia in New York. There are 21 categories covering journalism, literature, music and theatre.

Sustainable development

The United Nations Commission on Sustainable Development meets in New York, where there will be talks to prepare for a special UN session of small island nations in September. Small island developing nations are especially vulnerable to environmental





ssia's pro-Serb sentiments seem likely to increase Nato's reluctance to commit ground forces to a military resolution of the Kosovo crisis

problems if they allow short-term economic needs to dominate their planning.

Banana ruling

The World Trade Organisation will deliver its verdict on the dispute between the European Union and the US over favourable terms for Caribbean banana growers. The US is claiming compensation of \$520m and, in the meantime, has imposed 100 per cent import duties on some EU goods.

Holidays

Egypt, Lebanon, Bosnia, Bulgaria, Cyprus, Georgia, Greece, Macedonia.

TUESDAY 13

Pause for reflection ends

The Northern Ireland peace talks, aimed at establishing a joint ruling executive, are scheduled to resume. They were adjourned on April 1 by Tony Blair, the UK prime minister, and Bertie Ahem, the Irish taoiseach, to allow for a "short pause for reflection" over the problem of decommissioning terrorist arms.

Shoppers' charter

The European Union's Consumer Affairs Council meets in Luxembourg to approve a revised version of the

European Commission's 1996 proposal for harmonised rules on shoppers' rights. The draft directive lays down uniform conditions under which consumers will be able to seek redress for faulty products.

FT Survey Tuscany.

Holidays

Sri Lanka, Thailand. **WEDNESDAY 14**

Leadership deadline

World Trade Organisation members should have elected a new leader by today. Attempts to appoint a successor to Renato Ruggiero have dragged on for almost six months, and talks broke down recently when members split over the last two realistic candidates, Supachai Panitchpakdi of Thailand and Mike Moore of New Zealand. Allegations have been made that the US interfered with a fair selection by threatening a veto if Panitchpakdi was selected.

Prodi's plans

European Union leaders meet in Brussels to discuss European Commission reforms to be proposed by president-designate Romano Prodi.

World Bank discussions

lames Wolfensohn, president of the World Bank, visits Moscow for talks with Yevgeny Primakov, Russia's prime minister, government officials and business leaders. A planned meeting in Washington was postponed when Primakov returned to Moscow as Nato launched air attacks on the Federal Republic of Yugoslavia

Economic values

The World Economic Forum holds its annual US meeting in Washington (to April 17). The meeting, to be held in collaboration with the US Chamber of Commerce, is expected to focus on the impact of political instability on US markets, the Asia crisis, the projected US budget surplus and the impact of the euro.

Holidays

Bangladesh, India, Thailand.

THURSDAY 15

Algerian poli

Presidential elections are held in Algeria to decide the successor to president Liamine Zeroual, who will step down this month, 19 months before the end of his term. Sid Ahmed Ghozali, former prime minister, is expected to stand, while the army is

backing Abdelaziz Boutefilka, former foreign minister. Other candidates include Mouloud Hamrouche, former prime minister, Ahmed Taleb Ibrahimi, former foreign minister, and Mahfoud Nahnah, who leads the Movement for

Asking for the moon

a Peaceful Society.

Christie's, the London auction house, will offer a tiny piece of the moon. The three-quarter-inch lunar chunk, which fell to earth in 1997, is expected to fetch up to £12,000. It comes from one of the largest moon meteorites, the 513 gramme Dar Al Gani 262, found in the Sahara.

FT Surveys

Danish Banking and Finance; World Energy Review.

Holiday

Thailand.

FRIDAY 16

island trade talks

Leaders of 25 nations in the Caribbean Basin are meeting for two days in the Dominican Republic to discuss the creation of a regional free trade area to help the region's small economies prepare for the Free Trade Area of the Americas, which is expected to be

established in 2005. The governments want to improve transport links within the region in an attempt to increase trade among Caribbean countries. It will be the second summit of the group, the Association of Caribbean States, which also includes 15 dependent territories in the region.

FT Survey Australia as a Financial Centre.

Holiday Syria.

SATURDAY 17

EBRD preparations

Country presentations and seminars are made in London before formal sessions of the annual meeting of the European Bank for Reconstruction and Development on April 19 and 20.

Cherry blossom time

Keizo Obuchi, Japan's prime minister, hosts an annual cherry blossom viewing party at Shinjuku Gyoen national garden in Tokyo. He has sent 12,000 invitations to people including



ambassadors, ministers, soccer players and actors. The guests will walk along an avenue of cherry trees while a brass band plays.

Holidays

India, Indonesia, Malaysia, Algeria, Bahrain', Egypt', Kuwait', Lebanon', Morocco", Oman", Syria, Tunisia", United Arab Emirates".

SUNDAY 18

Turkey double poli

Turkish general and local elections are

Referendum

Switzerland votes in a referendum on a proposed new constitution.

Voting on the vote

Italians vote in a referendum on whether to scrap the proportional representation element of their complicated electoral system.

Holiday

Depending on sighting of the moon.

2500

Exp. Sec.

Compiled by Roger Beale

ECONOMIC DIARY

Other economic news Monday: German industrial production is likely to show

a monthly increase of 0.7 per cent in January and a rise of 0.5 per cent in February. Both sets of figures are being released the same time due to a change in the collection method. The French consumer price index may have risen 0.2 per cent in March, compared with 0.3 per cent the previous month. Tuesday: A rise in energy prices is thought to have lifted the US headline consumer price index by 0.3 per cent in March, according to HSBC. However, the core rate is expected to remain at 0.2 per cent on a monthly basis. US retail sales. meanwhile, are believed to have risen by 0.5 per cent in March, driven higher by surging sales of motor vehicles. The UK British Retail Consortium survey is likely to show an annual increase of 2 per cent in retail sales volumes in March, compared with 1.3 per cent in February. Friday: US industria production is thought to have risen 0.2 per cent in March from the previous

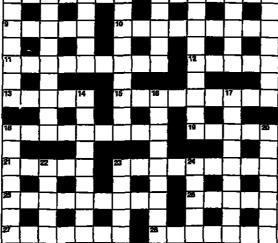
Statistics to be released this week Actual Jan industrial production (pan) 0.7% 0.6% -Y475bn Feb foreign bond investm Apr 12 Germany Jan manufacturing output (pan)* 0.3% 1.2% Feb retail sales, real** -2.0% -26% Germany Jan ind production (west German)* 1.2% Feb retail sales, realf 5.5% Germany Jan ind production (east German) -4.7% US Thu Initial claims, April 10 295,000 299,000 Germany Feb industrial production (pan)* 0.2% Apr 15 US State benefits, April 3 2,156,000 Feb manufactured output (pan)* 0.3% Apr Philadelphia Federal Index 10.4 Mar CPI preliminary 0.2% 0.3% US M1 - week ended April 5 \$3.5bn \$7.1bn Mar CPI preliminary** 0.2% 0.2% US France M2 - week ended April 5 -\$1.5bn \$8.8bn Q4 GDP revised*** 0.2% 0.7% US M3 - week ended April 5 -\$1.0bn \$8.6bn Q4 GDP revised** 2.9% US Mar monthly M1 \$10.3bn \$1.7bm Mar housing starts 144,000 US 145,000 Mar monthly M2 \$9.6bn \$21,1bn Feb department store sales 1.5% 4.8% US Mar monthly M3 -\$13.8bn \$52.0bn Mar BRC retail survey* 1.3% US Mar housing starts 1.75m 1.80m Tue €4.3bn €4.5bn Apr 16 US Feb trade balance Mar building permits 1.75m Apr 13 US Mar retail\sales 0.4% 0.9% us Mar industrial production 0.2% 0.2% US 0.5% 0,6% Mar retail sales ex-euto US Mar capacity utilisation 80,2% 80.3% LIS Mar CPI 0.3% 0.1% us 106.0 105.7 US Mar CPI ex-food & energy 0.1% During the week. us 12.7% Mar Atlanta Federal Index Ne'lands Feb retail sales nom' -1.6% BTM-Schroders, April 10 US 0.8% Feb IBGE industrial production** Brazil -3.6% US Mar real earnings 0,7% Feb capital account -€31.8bn US 0,8% Redbook, April 10 Feb foreign bond purchases €8.1bn US Feb business inventories unch Mar Tokyo department store sales* Japan -3.4% Apr 14 Japan Feb current account Y180br Y1,640br Mar trade belance (customs cleared Y1,240bn Japan "month on month, "year on year, ""q on q, †seasonally adjusted Statistics, courtesy Standard & Poor's MMS. Feb trade belance

ACROSS

- 1 Walks over younger man, relatively speaking (7)
 5 Lawman is coming back
- about her two fellows (7)
 9 First class! Fast off, but
 will do better (5) will do better (5)
 10 Time to start recruiting old
 Scot – to play Macbeth? (9)
 11 Left to put car away for
 rich power broker (9)
 12 Classic boat on new gas (5)
 13 Discourage creatures crossing end of street (5)
- 15 Get rid of eastern border round North America and Europe (9) 18 City leader may be caught between god and gold (4,5)

 19 Held the same opinion on getting rid of a deadly sin
- (5)
 21 Second man to take part in the Generation Game? (5)
 23 Building up the spectators at football and theatre (9)
 25 Firt with lover about four
- 26 Classic farewells in the 27 When Leo starts selling

- DOWN
- 1 Rushed round wooden peg, getting drenched (7) Come across English ser-
- geant under German (9)
 Oval's damaged in concentrated fire (5) Notice non-conservative
- Tory machinations bringing ill repute (9)
 Begin painting on the street (5) Raising tax popular? Don't finish the sad song about it
- The public in general like some decoration (5) Someone hoping to marry needs investment of new
- money (7) Deciding to try another day (9) Cross about arid, trite work
- As former partner, you are heard to join forces in a platonic way (9) Food can be a snag, cooked
- in the city (7)
 20 Doctor sees about getting daughter clothed (7) 22 A sailor came up with the journalist follow bad deal 23 It can reflect on a good girl



Winner of Puzzle No.9,950: Lesley Pratt, Bexhill-on-Sea, East Sussex

MONDAY PRIZE CROSSWORD No.9,959 Set by ADAMANT

A prize of a Tombow Lucca fountain pen and rollerball set, worth £125, will be awarded for the first correct solution opened. Solutions by Thursday April 22, marked Monday Crossword 9,369 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL, Solution on Monday April 25. Please allow 28 days for delivery of prizes.

Solution 9,950 REGLED FASTINESS
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